

OAKLAND SCHOOLS

Waterford, Michigan

**Comprehensive Annual Financial Report
with Supplementary Information
For the Fiscal Year Ended June 30, 2008**

Comprehensive Annual Financial Report

Oakland Schools

**2111 Pontiac Lake Road
Waterford, MI 48328**

**For the Fiscal Year Ended
June 30, 2008**

Board of Education

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Vice President	Ronald Storing
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Deputy Superintendent, Finance and Operations
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OAKLAND SCHOOLS
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October 20, 2008

To the Citizens of Oakland County
and the Board Members of Oakland Schools

The Comprehensive Annual Financial Report (CAFR) of Oakland Schools (an intermediate school district) for the fiscal year ended June 30, 2008 is hereby submitted. The Oakland Schools Department of Financial Services prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Oakland Schools (the "District"). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various District funds. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's administrative organizational chart, and a listing of the elected and top administrative officials of the District. The financial section includes the independent auditor's report, management's discussion and analysis, basic financial statements, required supplementary information, and combined non-major fund financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The basis for preparing the CAFR for the District was first to identify the financial reporting entity exclusive of any potential component units. Potential component units were evaluated to determine whether they should be reported in the District's CAFR. A component unit is considered to be part of the District's reporting entity if it meets the criteria as outlined by the Governmental Accounting Standards Board in Statement No. 14, *The Financial Reporting Entity*. The CAFR includes all District funds and account groups that are controlled or dependent upon the District's Board of Education. There are no component units included in the District's CAFR, and Oakland Schools is not included in any other governmental "reporting entity."

The District

Oakland Schools is one of 57 intermediate school districts (ISDs) established in Michigan more than 40 years ago. ISDs are regional service agencies that offer support services to local school district personnel that are best delivered regionally, as measured by cost, size, and quality advantages. Oakland Schools is an autonomous, tax-supported public school district governed by Michigan General School laws. The District serves 28 local school districts and 19 public school academies, with an enrollment of approximately 201,300 students.

The District's Board of Education members are elected by local school boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The Board of Education is responsible for the selection and appointment of the superintendent, as well as setting policy, developing long-range educational goals, adopting and amending operating budgets, and evaluating school programs.

Economic Condition and Outlook

Oakland Schools and the school districts we support are primarily located in Oakland County, which covers approximately 910 square miles. One of the best measures of economic welfare for a region is per capita income. Oakland County recently ranked third in the nation in median earnings of year round, full time workers for counties with a population between 900,000 to 1,500,000. The short-term difficulties of the county's economy must be put in context with its longer-term outlook. Oakland County remains one of the most prominent local economies in the nation, with some of the most promising longer-term prospects. The County is among the most concentrated in knowledge-based economic activity and the percentage of the population over age 25 holding a bachelors degree or better (42.4%) is nearly twice the national average, which are a good indicators of future economic prosperity. Oakland County's assets provide opportunities to continue diversifying its economy into areas with longer-term growth potential. Job growth is expected to turn positive as the momentum from Oakland's traditionally strong sectors begin to dominate, with the county adding 1,200 net new jobs in 2009 and 5,600 in 2010. When the restructuring of the auto industry runs its course, the Oakland county economy is expected to grow more rapidly. Oakland County's affluent, well educated community has been, and will continue to be, its own best resource for maintaining a thriving economy. For more information about Oakland County's economic engine, please visit either www.oakgov.com or www.automationalley.com.

School Finance

Oakland Schools is allocated one-fourth mill (0.25 mill) for general operating purposes from the millage allocation authorized in each Michigan county, in accordance with the State of Michigan constitution. Under the terms of the Tax Limitation Amendment of 1978, this millage is "rolled back" to reflect growth of property valuation above the inflation rate. The taxable value property valuations for Oakland County in the last three years have increased on average by more than 3% annually although this past year has seen a distinct slow down reflective of the state's economic challenges and the nation's ongoing real-estate market retrenchment. Taxable value property valuation growth rates are expected to turn negative in fiscal year 2009 producing an actual decline in property tax revenues of an estimated (3.5)% compared to fiscal year 2008. For the fiscal year ended June 30, 2008, the District's General Education Fund operating levy was .2003 mills.

The District is legally permitted to seek voter approval to fund special education and vocational education programs. The voters had authorized special education tax levies totaling one and three-fourths mills (1.75 mills) and a vocational education tax of one-half mill (0.50 mills), all of which have been "rolled back" under the terms of the Tax Limitation Amendment of 1978. September 25, 2001, the voters authorized an additional tax levy for both special education (1.1704 mills) and vocational education (0.2279 mills). The District's special education and vocational education total levies for the fiscal year ended June 30, 2008 were 2.5456 mills and .6231 mills, respectively, after application of millage roll-back rules.

Major Initiatives

Mission

Our mission statement, as of June 30, 2008, and previously adopted by our Board of Education is:

"The mission of Oakland Schools is to pursue equity and excellence in education through quality service and leadership."

In August of 2008 the Board of Education adopted a new mission statement, following its development by a group of representative staff members, Business Partners, Community members and other stakeholders. Our new Mission statement is:

"Learning Today. Transforming Tomorrow"

To support the mission, the Board of Education has formally adopted and maintains a continuous improvement plan for Oakland Schools. As of June 30, 2008 the focus of the plan is to:

- Increase student achievement
- Serve the diverse needs of schools
- Decrease costs and increase efficiencies

The goals of the continuous improvement plan, as adopted, are:

- Consulting services, professional development, and instructional resources provided to Oakland County schools and districts will contribute to improved student achievement.
- Consolidation and regionalization of services will maximize resources and improve cost efficiencies for local school communities in the areas of business, operations, professional development, and instructional resources.
- Technical assistance from Oakland Schools will result in schools and districts meeting state and federal compliance requirements.
- Employee satisfaction with our work environment will improve, leading to a more positive and productive environment.
- Standard operating procedures will be established and consistently applied to drive how business is done at Oakland Schools.
- Organizational resources, including financial, material, facility, and human resources will be allocated efficiently and effectively to support Oakland Schools' priorities and goals.

Oakland Schools strives to promote equity and excellence in education throughout the District. We do this through quality service and leadership. We explore, experiment, and model ideas to improve education and enhance teaching skills through discovery and practice. We understand that our role as an ISD is to support student achievement in our constituent districts. We meet this responsibility through our professional and curricular development programs, development and implementation of regional best practices and operating efficiencies, and our monitoring and compliance activities.

Examples of current programs, initiatives, and support systems that serve our constituent school districts follow:

No Child Left Behind (NCLB) Initiative

The *No Child Left Behind Act of 2001* (NCLB) is a landmark in education reform designed to improve student achievement and change the culture of America's schools. Passed with overwhelming bipartisan support from Congress, the law was signed by President George W. Bush on January 8, 2002. With the passage of *No Child Left Behind*, Congress reauthorized the *Elementary and Secondary Education Act* (ESEA), - the principal federal law affecting education from kindergarten through high school. In amending ESEA, the new law represents a sweeping overhaul of federal efforts to support elementary and secondary education in the United States. It is built on four common-sense pillars:

- Accountability for results
- An emphasis on doing what works based on scientific research
- Expanded parental options
- Expanded local control and flexibility

Oakland Schools is providing a variety of services through a coordinated NCLB strategy for our constituent districts. Staff has provided countless presentations to local school boards, central office staff, building principals, and teachers first to become aware of the legislation and then to assist them in implementing the requirements of the law.

Pearson Benchmark and Inform Initiative

The Benchmark and Inform initiative is the implementation of a comprehensive web-based tool that allows teachers and administrators to take multiple measures of student performance against standards at any time throughout the school year. With data collected over time, they can monitor student progress against standards, address deficiencies, and recheck mastery. Teachers and administrators using the new process will also have access to test items that are aligned with local district and state standards.

Collaborative Program Development Initiative (CPDI)

The purpose of the CPDI project is to enhance the academic achievement of Oakland ISD students by supporting collaborative instructional programs that can potentially serve students in all Oakland ISD constituent school districts. Areas of interest are:

- Accelerated instructional programs
- Magnet school programs
- Alternative educational programs

Early Childhood Programming

The Early Childhood Department supports parents, community agencies, and preschools as they work together to ensure all children reach kindergarten ready to learn and eager to succeed. Children who enter kindergarten lacking critical early literacy and behavioral skills are unlikely to read at grade level by the end of third grade, a time after which children who are behind rarely catch up. (Dr. J. Firestone, Director of Early Childhood, Oakland Schools) The department provides consulting services, professional development, and instructional resources to early elementary teachers that are designed to improve early achievement, especially in the area of literacy. In addition, Oakland Schools continues to focus on its Early Childhood Literacy, Preschool, and Behavioral programming.

- The Early Childhood Literacy program has the responsibility for increasing the percentage of children reading on grade level in the third grade. Consultants will work with kindergarten through third grade (K-3) teachers to improve the quality of research based reading instruction

in every classroom as well as assisting buildings to implement organizational frameworks, such as the 3 Tier Reading Framework, to meet the instructional and intervention needs of all K-3 students.

- The Early Childhood Preschool program will assist district (and community) preschools in understanding and implementing Michigan Department of Education's adopted Standards of Quality and Child Expectations for Preschool Programs. Consultants will have the responsibility for helping preschool programs improve children's school readiness, particularly in the area of literacy and assist districts in the alignment of pre-kindergarten and kindergarten programs and practices.
- The Early Childhood Behavior program provides behavioral consultation for children from birth to five at risk for expulsion from preschool. Consultants will also assist preschool and early primary teachers in implementing research-based social skills development programs and in developing safe and positive classroom climates in which all children can reach their academic potential.

Special Education Services

The Oakland Schools Special Education Department is committed to the education of students with disabilities in the general education environment with naturalized support services. We adhere to the premise that there is one curriculum for all students and, with proper modification and accommodations, all children can learn. We have elected to demonstrate this belief by our alignment with the School Quality, Learning Services, and Early Childhood departments of Oakland Schools to:

- Develop and model a unified system of service delivery
- Establishment and support of regional service areas in the County
- The efficient application and deployment of our staff
- Continuous improvement in the instructional outcomes for students in the County

Through the establishment of common tools and knowledge among Oakland Schools' constituents, the provision of services in a Regional Support model may be realized. Integral knowledge of accreditations standards, teaching methodologies, and early intervention strategies, will better equip the special education unit staff to support the students, parents, and districts we serve.

Career Focused Education

The vision driving Oakland Schools' Career Focused Education (CFE) is to have our students be the highest achieving in the world. Oakland Schools operates four technical campuses serving over 2,700 students throughout the County. Oakland Schools has built and continuously improves a learning system that guides students in:

- Making informed career preparation decisions
- Developing academic, technical, and workplace knowledge
- Skills and preparing them to compete effectively in the job market

Leaders from the community, business and industry, government, and education serve as key stakeholders in Career Focused Education efforts to develop and deploy career development programs that align with the region's workforce needs. During the school year, significant progress was made in advancing CFE's mission, most notably through:

- Continued renovations to the facilities and program offerings at all four Oakland Schools technical campuses
- Regional alignment of career awareness activities, training, and partnerships

- Maintained ISO registration for all four technical campuses

Oakland Network for Education (ONE)

ONE is a district-wide 311-mile fiber-optic network that benefits all Oakland ISD students and educators through its economy of scale and services. It is a comprehensive network designed to bring significantly enhanced educational opportunities to the students of Oakland Schools' constituent districts.

ONE provides services through advanced voice, video, and data network infrastructure in order to build a stronger learning community within the Oakland Schools boundaries. For example, lower-cost local, zone, and long-distance telephone access through collaborative bids; high-speed Internet access to meet the growing needs of Oakland ISD educators; and connectivity to the community through a Web presence. ONE will provide the following benefits to students: opportunities for all students to access the technological and academic skills necessary for the 21st century; college courses for high school students at their local high school; field experts to work with students; virtual field trips to leading cultural institutions; and video on demand for instruction.

Capital Projects Fund - Construction and Renovation Projects

The District began implementing plans for the phase-two renovation projects associated with the four Oakland Schools Technical Campuses. The final results, upon the completion of the renovations, will be four world-class technical campuses. This renovation and addition project is a multi-year effort with anticipated expenditures of \$69.4 million. Construction activities began in early calendar year 2007 and are scheduled to be completed in the Autumn of calendar year 2008. Those areas of the buildings not renovated in the phase-one of the projects completed in calendar year 2003 will be renovated under this plan. In addition, site improvements and upgrades to facilities to meet current building codes and improve operational efficiencies are included in the scope of the project.

Risk Related Activity Fund Formation, Implementation, and Operation

The Risk Related Activity Fund is categorized in governmental accounting as an Internal Service Fund and is authorized under Governmental Accounting Standards Board (GASB) Statements Number 10 and 30. An internal services fund is a proprietary fund and proprietary funds are used to account for state or local government's activities that are similar to activities that may be performed by commercial enterprises. The goal of this fund is to provide administration with a risk management tool. The initial establishment of this fund was limited to accounting primarily for compensated absences. Insurances now included in the fund are health, dental, vision, life, short & long term disability, workers' compensation, unemployment, property & casualty, general liability, and fleet insurance. Two related programs were established and operated with in this fund, those being the safety (loss prevention) and wellness programs. We have been working closely with the Michigan Department of Education and our auditors during the formation and implementation of the fund and will continue to do so. We believe the application and operation of this risk management tool will be of significant benefit to our District.

Production Print Enterprise Fund

The Production Print Enterprise fund is categorized in government accounting as an enterprise fund. An enterprise fund is a proprietary fund and proprietary funds are used to account for state or local government's activities that are similar to activities that may be performed by commercial enterprises. Enterprise funds are funds used by governmental units to account for services provided to the general public on a user charge basis. The primary operating goal for the Production Print Enterprise Fund is to operate on a break even basis. Primary elements of the business operating plan for the fund is first to expand operating revenues such as those generated from expanding services to other districts and outside organizations then concurrently closely manage operating costs such as inventory, personnel, etc.

Financial Information

Accounting Systems

The District's fund level financial statements and government-wide financial statements for our governmental and Agency Fund types have been prepared in conformance with generally accepted accounting principles and are in compliance with Government Accounting Standards Board Statement No. 34. Governmental fund-level statements are prepared on the modified accrual basis of accounting. The revenues are recognized when measurable and available to finance current operations. Expenditures are recognized when the liability is incurred, generally when the goods or services are received, except for interest on long-term debt, which is recorded when paid. With respect to the government-wide financial statements, the full accrual basis is applied as defined under GASB Statement No. 34.

In developing and evaluating the District's financial information system, consideration is given to the adequacy of the internal accounting and administrative control structure and the costs thereof. Accounting and administrative controls comprise the plan of organization, policies, procedures, and records necessary for the safeguarding of assets, the reliability of financial records, and compliance with grant requirements. The expressed purpose is to provide reasonable assurance that:

- Transactions are in accordance with management's and grantors' general or specific authorization
- Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and other criteria (such as finance-related legal and contractual compliance requirements) and to maintain accountability for assets
- Access to assets is permitted only in accordance with Board of Education appropriations, financial policies, and management's authorization
- The recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences

Accounting and administrative controls comprehend reasonable, but not absolute, assurance that the objectives expressed will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits expected.

Budgetary Controls

The District maintains both accounting and budgetary controls. The objectives of budgetary control are to ensure compliance with legal provisions as embodied in and adopted in the annual Appropriation Budget approved by the Board of Education. Governmental Fund types are under formal budgetary control. Activities of the General and Special Revenue funds are included in the annual Appropriated Budget. Project-length financial plans are adopted for the Capital Project Funds.

The Board of Education established the legal level of control as presented in the fund financial statements. The Board of Education is authorized to make amendments to the budget as it deems necessary. The District also maintains an encumbrance accounting system as a method of budgetary control. Amounts encumbered at year end are re-appropriated as part of the following year's budget. Detailed operating information on a per fund basis can be found in the management's discussion and analysis section of the CAFR.

Fund Balance

A portion of the District's governmental fund type fund balances are unreserved; however, certain amounts maybe reserved for contingencies and special projects. The remaining unreserved fund balance remains undesignated.

Cash Management

The District's cash and investments are administered under district policy, rule and guidelines that are in accordance with the State of Michigan statutes. The District's cash management practices enable the maximization of its interest earnings while minimizing the risk of loss of invested principal. The District does not engage in derivative trading. Investments are held in the District's name and are in U.S. Treasury obligations, certificates of deposit, and investment pools, as authorized by Michigan Compiled Laws. State law requires the use of in-state banks that are members of the FDIC and does not allow the District to collateralize bank investments. A prudent review and analysis of the district's cash flow needs provides additional investment revenue not only to both the General Education Fund and the Special Revenue Funds, but also to all other funds of the District, which have cash resources available.

Debt Administration

Long-term obligations outstanding for the District as of June 30, 2008 consisted of \$53,730,000 in bonded debt and of \$2,833,516 of accrued sick and vacation obligations.

Risk Management

The District's management is charged with the responsibility of supervising the protection of the District's assets by employing various risk management techniques and procedures to reduce, absorb, minimize, or transfer risk. The District carries insurance for general liability and auto liability. District property is insured for its replacement value. Management is also responsible for directing the District's fringe benefits program, which includes the administration of health, dental, vision, life, and other benefits for all full-time and qualifying part-time employees.

Retirement Plan

All employees of the District are covered by a mandatory, cost-sharing, multiple-employer plan - the Michigan Public School Employees, Retirement System (MPERS).

The plan provides its members, under two member investment plans and a basic plan, various benefits that vest after 10 years of service, including regular retirement, early retirement, deferred retirement, non-duty disability pension, duty disability pension, and survivor pension.

Benefit and contribution provisions are fixed by state statute and may be amended only by action of the state legislature.

Other Information and Acknowledgments

Independent Audit

Michigan law requires an annual audit of the District's basic financial statements. The District's Board of Education engaged Plante & Moran, PLLC for this purpose. The independent auditor's opinion has been included in this report.

The basic financial statements are the responsibility of the District. The responsibility of the independent auditors is to express an opinion on the financial statements that collectively comprise the District's basic financial statements based upon their audit, which is conducted in accordance with generally accepted accounting standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the audit be planned and performed in a manner to obtain reasonable assurance that the basic financial statements are free of material misstatement.

OMB Circular A-133 Audit

As a recipient of federal and state grants, the District is responsible for ensuring that an adequate internal and administrative control structure is in place and compliance with applicable laws and regulations is maintained. To ascertain the level of such compliance, the District has an audit performed

in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Certificate of Excellence in Financial Reporting

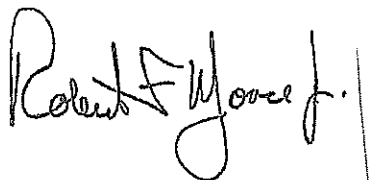
The District is committed to providing its citizens and other users with comprehensive financial reporting. For school districts meeting the requirements of a comprehensive annual report, the Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting. The ASBO awarded a Certificate of Excellence in Financial Reporting to Oakland Schools for its Comprehensive Annual Financial Report (CAFR) for the following fiscal years: 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07. Due to unforeseen circumstances, the Comprehensive Annual Financial Report (CAFR) for fiscal year 2001-02 was not completed in time to file for a seventh consecutive Excellence in Financial Reporting award review. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. The District believes our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting our report to ASBO.

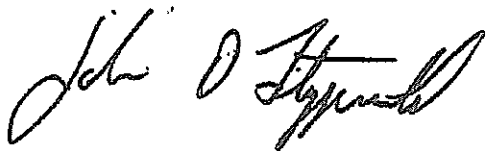
Acknowledgments

The preparation of this CAFR was accomplished through the commitment and dedication of Oakland Schools' Department of Financial Services. Management wishes to thank each member of the team for his or her contribution to the completion of this report.

Respectfully submitted,



Robert F. Moore Jr.
Deputy Superintendent



John D. Fitzgerald, CMA, CFM
Director of Financial Services



Michelle Saunders, CPA
Accounting Manager, Financial Services

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

OAKLAND SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2007

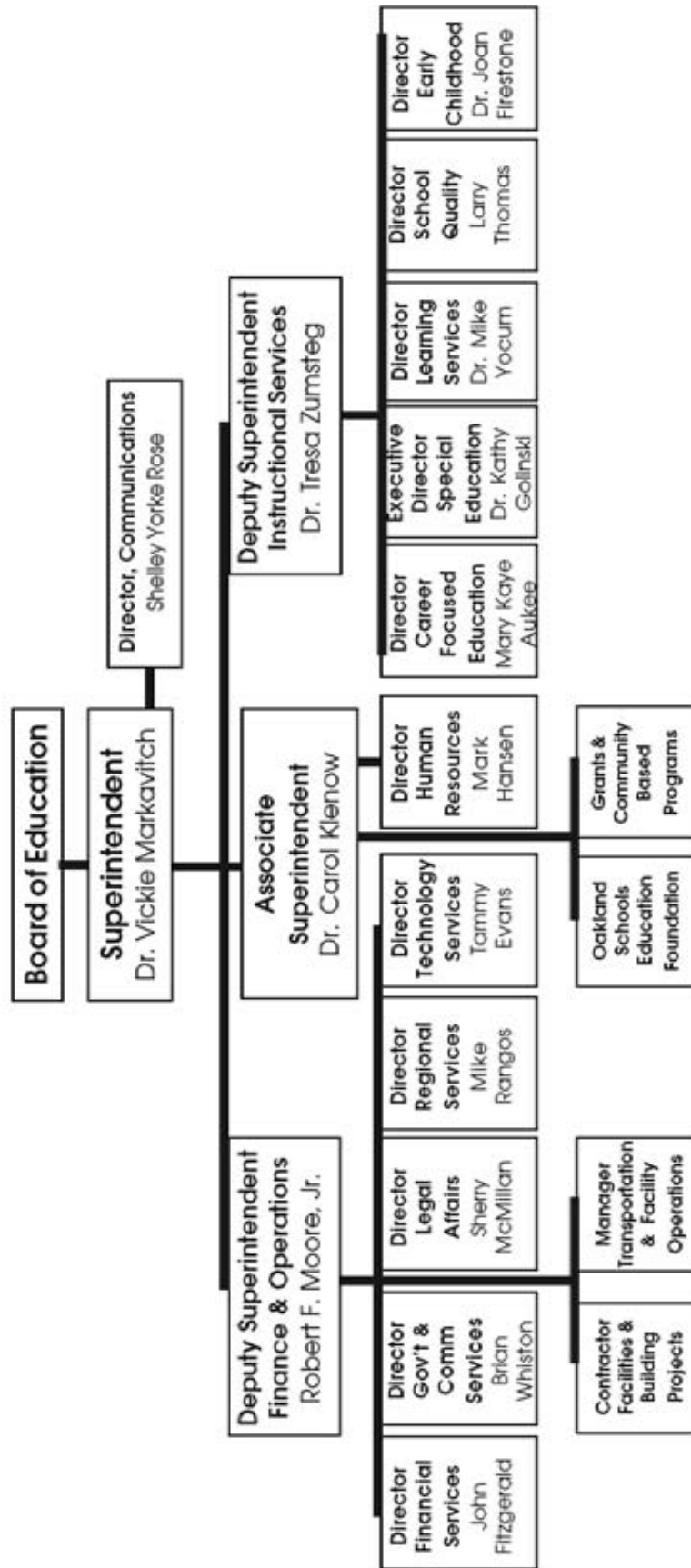
Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Gronne E. Brendel

President

John D. Mueser

Executive Director



Independent Auditor's Report

To the Board of Education
Oakland Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Schools as of and for the year ended June 30, 2008, which collectively comprise Oakland Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oakland Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Schools as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oakland Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Education
Oakland Schools

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 20, 2008 on our consideration of Oakland Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 20, 2008

OAKLAND SCHOOLS

Management's Discussion and Analysis

This section of Oakland Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Oakland Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Special Education Fund, the Vocational Education Fund, and the CFE Renovations Capital Project Fund - with all other funds presented in one column as nonmajor funds. One of the remaining statements, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The other remaining statements relate to the School District's Proprietary Funds (Internal Services and Enterprise). The Risk Related Activity Fund, an Internal Service Fund, accounts for all of the costs associated with the School District's insurance programs and employee-compensated absences provided to other funds of the School District on a cost-reimbursement basis. The Production Print Enterprise Fund, an Enterprise Fund, accounts for all of the School District's graphic and printing operational costs including all district direct and client based service costs. Below is an outline of the financial and statistical information provided.

Financial Section

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Statistical Section

- Demographic and Statistical Information

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

The School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007.

TABLE I

	Governmental Activities (in millions)		Percent Change
	2008	2007	
Assets:			
Current assets	\$ 129.6	\$ 155.6	-16.7%
Capital assets	94.6	61.2	54.6%
Total assets	<u>224.2</u>	<u>216.8</u>	3.4%
Liabilities:			
Current liabilities	34.3	26.8	28.0%
Noncurrent liabilities	56.8	58.8	-3.4%
Total liabilities	<u>91.1</u>	<u>85.6</u>	6.4%
Net assets:			
Invested in capital assets, net of related debt	38.0	3.0	1166.7%
Restricted	76.5	113.5	-32.6%
Unrestricted	18.6	14.7	26.5%
Total net assets	<u>\$ 133.1</u>	<u>\$ 131.2</u>	1.4%

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table II) of the School District's governmental activities is discussed below. The School District's net assets were \$133.1 million at June 30, 2008. Net assets invested in capital assets, net of related debt, totaled \$38.0 million. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$76.5 million are reported separately to show legal constraints from voter-approved ballot language covenants, commitments to capital projects, and debt service as well as enabling legislation that limits the School District's ability to use those net assets for general day-to-day operations. The remaining amount of net assets, \$18.6 million, was unrestricted.

The \$18.6 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' General Fund operations plus the operational results of the two Cooperative Education Special Revenue Funds. The \$76.5 million of restricted net assets represents the accumulated results of all past years' Special Education, Vocational Education, Capital Projects and Debt Service Funds operations. The restricted and unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties in their respective funds. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The increase in the School District's total net assets results from the continued renovation work at our four campuses. The renovation work is represented as "Work in Progress" on our schedule of fixed assets. The decrease in current assets reflects the use of cash associated with the campus renovation projects. The increase in net assets invested in capital assets is a reflection of the dollars invested to date in capital assets less the outstanding bonds used to fund the campus renovation project and other projects. The increase in total liabilities is due to an increase in accounts payable at year end related to the ongoing campus renovation projects and to the timing of current liabilities related to grant subrecipient payments. The total net assets of the School District have increased by 1.4%. The School District continues to actively manage its operating costs as demonstrated in the cost information listed below.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

The results of this year's operations for Oakland Schools as a whole are reported in the statement of activities (see Table II), which shows the changes in net assets for the years ended June 30, 2008 and 2007.

TABLE II

	Governmental Activities (In millions)		Percentage Change
	2008	2007	
Revenue:			
Program revenue:			
Charges for services	\$ 13.6	\$ 10.8	25.9%
Operating grants	57.4	55.2	4.0%
General revenue:			
Property taxes	216.9	210.4	3.1%
Federal and state aid	4.6	5.2	-11.5%
Other	7.7	8.1	-4.9%
Total revenue	<u>300.2</u>	<u>289.7</u>	3.6%
Functions/program expenses:			
Special education	1.9	1.2	58.3%
Vocational education	15.4	16.4	-6.1%
Other instruction	0.1	0.2	0.0%
Pupil support services	9.1	9.2	-1.1%
Instructional support services	17.7	18.0	-1.7%
General administrative services	2.6	4.6	-43.5%
School administrative services	2.2	-	100.0%
Business support services	4.0	4.2	-4.8%
Operation and maintenance services	11.7	8.9	31.5%
Pupil transportation services	0.6	0.5	20.0%
Central support services	14.9	13.1	13.7%
Community services	5.7	5.8	-1.7%
Other support services	1.4	0.2	0.0%
Interest on long-term debt	2.8	0.8	250.0%
Depreciation - Unallocated	2.3	3.0	-23.3%
Interdistrict payments and other	205.9	186.9	10.2%
Total functions/program expenses	<u>298.3</u>	<u>273.0</u>	9.3%
Change in net assets	1.9	16.7	-88.6%
Net assets – Beginning of year	131.2	114.5	14.6%
Net assets – End of year	<u>\$ 133.1</u>	<u>\$ 131.2</u>	1.4%

As reported in the statement of activities, the cost of all governmental activities this year was \$298.3 million. Certain activities were partially funded from those who benefited from the programs (\$13.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$57.4 million). The remaining "public benefit" portion of governmental activities was funded with \$216.9 million in taxes, \$4.6 million in state aid, and \$7.7 million from other revenues, such as interest.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Total revenue increased 3.6% due primarily to the growth in the School District's tax base, resulting in increased property tax revenue, and growth in investment, program, and the state aid revenues.

Total expenses increased by 9.3%. Considering that the School District's healthcare and retirement costs grew at a rate exceeding that of inflation in the fiscal year 2007-08, the School District's current budgetary and operational strategies for cost control have been successful in minimizing the rate of expenditure growth.

As a result of these transactions, Oakland Schools experienced an increase in net assets of \$1.9 million in fiscal year 2007-08.

As discussed above, the net cost shows the financial burden that was placed on the State and Oakland Schools' taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted revenues.

Oakland Schools' Funds - Overview

As noted earlier, Oakland Schools uses different funds to help it control and manage money for particular purposes. Looking at the funds helps the reader consider whether Oakland Schools is being held accountable for the resources taxpayers and others provide to it and may give more insight into Oakland Schools' overall financial health.

As Oakland Schools completed this year, the governmental funds reported a combined fund balance of \$92.0 million, a decrease of \$33.4 million from the prior year. The fund balance decrease represents the District's use of the CFE Campus Renovations Capital Projects Fund fund balance in the renovation process. The changes, by major and nonmajor funds, are as follows:

	General Fund	Special Education Fund	Vocational Education Fund	CFE Campus Renovations Capital Projects	Nonmajor Governmental Funds	Total
Fund balance – Beginning						
of year	\$ 9,124,294	\$ 26,603,842	\$ 17,039,665	\$ 64,919,504	\$ 7,740,594	\$ 125,427,899
Increase (decrease)	551,564	(4,227,358)	7,890,224	(37,590,292)	(52,584)	(33,428,446)
Fund balance – End of year	<u>\$ 9,675,858</u>	<u>\$ 22,376,484</u>	<u>\$ 24,929,889</u>	<u>\$ 27,329,212</u>	<u>\$ 7,688,010</u>	<u>\$ 91,999,453</u>

Additional information regarding changes in the General, Special Education, and Vocational Education Funds is explained in the pages which follow.

General Government Functions

The following schedules provide additional operating detail on three of the School District's major funds.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

General Fund

The following schedule presents a summary of General Fund revenues and other financing sources for the fiscal year ended June 30, 2008, and the amounts and percentage of increases and decreases are in relation to prior year amounts.

Revenues and Other Financing Sources	FY 2008 Amount	% of Total	Increase (Decrease) from FY 2007	% Increase (Decrease)
Local sources	\$ 22,859,331	73.38%	\$ (1,624,718)	-6.64%
State sources	5,339,401	17.14%	244,051	4.79%
Federal sources	1,900,637	6.10%	(55,110)	-2.82%
Other sources	1,054,446	3.38%	1,054,446	100.00%
Total revenues and other financing sources	<u>\$ 31,153,815</u>	<u>100.00%</u>	<u>\$ (381,331)</u>	-1.21%

Total revenues have decreased by 1.21%. Local revenues decreased by \$1,624,718 as compared to fiscal year 2007. The decrease in local source revenues primarily reflected the reclassification of certain revenues as "other sources" revenues and a decline in investment revenues.

The following schedule presents a summary of General Education Fund expenditures and other financing uses for the fiscal year ended June 30, 2008, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures and Other Financing Uses	FY 2008 Amount	% of Total	Increase (Decrease) from FY 2007	% of Increase (Decrease)
Instructional services	\$ —	0.00%	\$ (159,794)	-1.00%
Support services - Pupil	120,233	0.39%	1,491	1.26%
Support services - Instructional staff	9,561,561	31.24%	912,099	10.55%
Support services - General admin	1,296,125	4.24%	103,937	8.72%
Support services - Business services	1,222,630	4.00%	13,855	1.15%
Operations and maintenance	696,014	2.27%	(75,871)	-9.83%
Pupil transportation	242,753	0.79%	(143,983)	-37.23%
Support services - Central	7,663,344	25.04%	489,605	6.82%
Support services - Other	1,020,283	3.33%	11,530	1.14%
Community services	903,153	2.95%	116,924	14.87%
Capital outlay	366,980	1.20%	(245,835)	-40.12%
Interdistrict transfers and other	<u>7,509,175</u>	<u>24.54%</u>	<u>(5,128,629)</u>	-40.58%
Total expenditures and other financing uses	<u>\$ 30,602,251</u>	<u>100.00%</u>	<u>\$ (4,104,671)</u>	-11.83%

The General Fund's expenditures decreased by 11.83% for the fiscal year. The decrease in the fund's expenditures reflects the one-time nature of a \$5.0 million increase in transfers out to the Cooperative Education Special Revenue Funds that occurred in fiscal year 2007 and did not reoccur in fiscal year 2008.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Special Education Funds

The following schedule presents a summary of Special Education Fund revenues for the fiscal year ended June 30, 2008, and the amounts and percentage of increases and decreases in relation to prior year amounts.

Revenue and Other Financing Sources	FY 2008 Amount	% of Total	Increase (Decrease) from FY 2007	% of Increase (Decrease)
Local sources	\$ 166,940,311	77.67%	\$ 3,782,236	2.32%
State sources	6,024,897	2.80%	19,546	0.33%
Federal sources	41,730,870	19.41%	5,408,643	14.89%
Other financing sources	252,488	0.12%	252,488	100.00%
Total revenues and other financing sources	<u>\$ 214,948,566</u>	<u>100.00%</u>	<u>\$ 9,462,913</u>	4.61%

Total revenues have increased by 4.61%. The increase in local source revenues is due to the growth in the ISD's tax base, which resulted in an increase in tax revenues. The increase in federal source revenue is the result of grant award revenue growth and the recognition of prior year deferred grant revenue in fiscal year 2008.

The following schedule presents a summary of Special Education Fund expenditures and other financing uses for the fiscal year ended June 30, 2008, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures and Other Financing Uses	FY 2008 Amount	% of Total	Increase (Decrease) from FY 2007	% of Increase (Decrease)
Instructional services	\$ 1,939,400	0.88%	\$ 784,954	67.99%
Support services - Pupil	7,352,209	3.35%	184,900	2.58%
Support services - Instructional staff	5,665,372	2.58%	(99,992)	-1.73%
Support services - General admin	636,188	0.29%	67,111	11.79%
Support services - Business services	915,437	0.42%	110,075	13.67%
Operations and maintenance	677,193	0.31%	(150,357)	-18.17%
Pupil transportation	121,325	0.06%	121,325	100.00%
Support services - Central	2,951,642	1.35%	185,752	6.72%
Support services - Other	258,739	0.12%	31,056	13.64%
Community services	320,415	0.15%	2,942	0.93%
Capital outlay	372,352	0.17%	(192,245)	-34.05%
Interdistrict transfers and other	197,965,652	90.31%	18,917,732	10.57%
Total expenditures and other financing uses	<u>\$ 219,175,924</u>	<u>100.00%</u>	<u>\$ 19,963,253</u>	10.02%

Total expenditures increased by 10.02% for the year. Expenditure increases are a normal anticipated part of the programs that comprise the Special Education Fund's operations. The increase in interdistrict transfers included one-time project-based funding for two special education center program facility renovation projects. Operating expenditures were contained as a result of planned budget reduction measures implemented during the year.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Vocational Education Funds

The following schedule presents a summary of Vocational Education Fund revenues for the fiscal year ended June 30, 2008, and the amounts and percentage of increases and decreases in relation to prior year amounts.

Revenues	FY 2008 Amount	% of Total	Increase (Decrease) from FY 2007	% of Increase (Decrease)
Local sources	\$ 41,671,179	84.11%	\$ 713,122	1.74%
State sources	847,042	1.71%	(475,837)	-35.97%
Federal sources	6,893,311	13.91%	(806,026)	-10.47%
Other revenues	132,900	0.27%	132,900	100.00%
Total revenues	\$ 49,544,432	100.00%	\$ (435,841)	-0.87%

Total revenues have decreased by .87%. The increases in local source revenues are due to the growth in the ISD's tax base, which resulted in an increase in tax revenues. The change in state source revenues reflects a decrease in state aid funding. The decrease in federal sources is the result of a decrease in federal grant revenue recognition in the current year of prior year deferred revenue as compared to the prior year's recognition of deferred grant revenue.

The following schedule presents a summary of Vocational Education Fund expenditures and other financing uses for the fiscal year ended June 30, 2008, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures and Other Financing Uses	FY 2008 Amount	% of Total	Increase (Decrease) from FY 2007	% of Increase (Decrease)
Instructional services	\$ 15,445,197	37.08%	\$ (945,451)	-5.77%
Support services - Pupil	1,601,358	3.84%	(264,016)	-14.15%
Support services - Instructional staff	3,854,311	9.25%	(88,996)	-2.26%
Support services - General admin	651,596	1.56%	(4,138)	-0.63%
Support services - School admin	2,198,145	5.28%	(13,346)	-0.60%
Support services - Business services	648,512	1.56%	(246,641)	-27.55%
Operations and maintenance	3,518,111	8.45%	200,934	6.06%
Pupil transportation	203,723	0.49%	124,156	156.04%
Support services - Central	3,490,251	8.38%	299,980	9.40%
Support services - Other	122,515	0.29%	122,515	100.00%
Community services	4,535,965	10.89%	(205,724)	-4.34%
Capital outlay	1,238,948	2.97%	(361,468)	-22.59%
Interdistrict transfers and other	4,145,576	9.95%	(7,490,130)	-64.37%
Total expenditures and other financing uses	\$ 41,654,208	100.00%	\$ (8,872,325)	-17.56%

Total fund expenditures decreased by 17.56%. During the prior fiscal year, the Career Focused Education Fund incurred a \$7.65 million transfer to the CFE Campus Renovation Capital Projects Fund, representing partial funding of the CFE campus renovation projects. During fiscal year 2008, no comparable transfers occurred.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

The School District's non-major funds consist of the General Education Capital Projects Fund, Special Education Capital Projects Fund, Vocational Education Capital Projects Fund, AMS Technology Capital Projects Fund, AMS Technology Bond Debt Service Fund, 2003 Bond Debt Service Fund, and The Oakland Network for Education & Collaborative Programming Development Initiative Cooperative Education Special Revenue Funds. The combined fund balance decreased by \$52,500. The combined fund balance is \$7.688 million.

General Education Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2008. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were revisions made to the 2007-2008 General Fund's original budget. In the General Fund, budgeted revenues increased by \$15,200. Budgeted expenditures increased by \$1.0 million. The primary expenditure budget increase occurred in the Instructional Staff Support Services budget category. The School District continued to execute its planned budget restructuring and resource reallocation strategy for the year ended June 30, 2008 after the original budget was approved.

Actual total revenues for the year ended June 30, 2008 were below the final amended budget by \$2,828,085. The variance from budgeted revenue is primarily comprised of deferred grant revenue and user fee-based revenue. Actual total expenditures for the year ended June 30, 2008 were \$5,265,749 lower than the final amended budget. The primary causes for the variance between actual and budgeted expenditures are unexpended grant award funding and the expansion of a project timeline that occurred with a key project of the School District. The project is central to the School District's focus on technology and curriculum-based classroom assessment and continues to be worked on by the School District.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, Oakland Schools had \$94.6 million invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$33.4 million from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 3,992,143	\$ 3,992,143
Construction in progress	49,157,137	10,407,486
Buildings and building improvements	44,944,773	44,473,592
Furniture, equipment, and vehicles	18,149,709	21,492,705
Accumulated depreciation	(21,626,925)	(19,151,688)
Total capital assets	<u>\$ 94,616,837</u>	<u>\$ 61,214,238</u>

This year's increase of \$33.4 million (net of depreciation) included additions of \$35.4 million related to building renovations and equipment for the administration building and the four vocational campuses. We present more detailed information about our capital assets in Note 5 to the financial statements.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Debt

At June 30, 2008, Oakland Schools had \$53.7 million in outstanding general obligation bonded debt. The State limits the amount of general obligation debt that Intermediate School Districts can issue to one-ninth of 1.0% of the state assessed value (SEV) of all taxable property within the district's boundaries unless the question of borrowing money or issuing bonds is submitted first to a vote of the school electors and approved by a majority of registered school electors. The School District's outstanding general obligation debt is significantly below the statutorily imposed limit.

Other obligations primarily include bond premium, accrued vacation pay, and sick leave. We present more detailed information about our long-term liabilities in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's June 30, 2009 fiscal budget. One of the most important factors affecting the budget is the economic condition of the State of Michigan. The June 30, 2009 budget was adopted in June 2008, based on an estimate of property tax revenues, state aid, and grant funding. State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is partially dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts. In the recent past, the State of Michigan has issued several executive orders prorating and reducing, mid-year, the State's funding commitment to the School District. This possibility continues to exist for fiscal year 2008-09. The extent to which possible funding prorating by the State of Michigan and how it affects Oakland Schools' budget has yet to be determined. Oakland Schools' unreserved, undesignated fund balance in the General Fund of \$5,041,006, Special Education Fund of \$4,799,996, and Vocational Education Fund of \$24,648,245 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

Contacting the School District's Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Financial Services at 2111 Pontiac Lake Road, Waterford, Michigan 48328.

OAKLAND SCHOOLS

Statement of Net Assets

June 30, 2008

	Governmental activities
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 99,069,341
Receivables (Note 4)	21,622,639
Inventories	87,532
Deposits and prepaid expenditures	156,615
Restricted assets (Note 2)	8,637,744
Total current assets	129,573,871
Noncurrent assets (Note 5):	
Capital assets, less accumulated depreciation of \$21,626,925	94,616,837
Total assets	224,190,708
Liabilities	
Current liabilities:	
Accounts payable	23,922,739
Accrued payroll and other liabilities	3,358,118
Deferred revenue (Note 4)	4,771,135
Bonds payable due within one year (Note 7)	1,957,612
Compensated absences due within one year (Note 7)	283,352
Total current liabilities	34,292,956
Noncurrent liabilities (Note 7):	
Bonds payable due in more than one year	54,225,516
Compensated absences due in more than one year	2,550,164
Total noncurrent liabilities	56,775,680
Total liabilities	91,068,636
Net Assets	
Invested in capital assets, net of related debt	38,022,701
Restricted for:	
Special education	23,032,216
Vocational education	24,929,889
Capital projects	28,359,190
Debt service	178,971
Unrestricted	18,599,105
Total net assets	\$ 133,122,072

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Statement of Activities

Year ended June 30, 2008

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Total governmental activities
Primary government:				
Governmental activities:				
Instruction:				
Special education	\$ 1,939,400	\$ —	\$ —	\$ (1,939,400)
Vocational education	15,445,197	351,214	841,008	(14,252,975)
Other instruction	150,000	—	—	(150,000)
Total instruction	17,534,597	351,214	841,008	(16,342,375)
Support services:				
Pupil	9,073,800	11,943	571,688	(8,490,169)
Instructional staff	17,706,173	217,755	7,421,939	(10,066,479)
General administration	2,583,909	—	—	(2,583,909)
School administration	2,198,145	—	—	(2,198,145)
Business services	3,995,300	2,488,906	—	(1,506,394)
Operations and maintenance services	11,663,251	32,883	—	(11,630,368)
Pupil transportation	567,801	148,373	—	(419,428)
Central	14,862,286	9,664,769	280,880	(4,916,637)
Other support services	1,401,537	701,012	—	(700,525)
Community services	5,759,533	—	6,189,289	429,756
Interest on long-term debt	2,815,578	—	—	(2,815,578)
Depreciation - Unallocated	2,270,319	—	—	(2,270,319)
Total support services	74,897,632	13,265,641	14,463,796	(47,168,195)
Interdistrict payments and other	205,935,921	—	42,099,950	(163,835,971)
Total primary government - Governmental activities	\$ 298,368,150	\$ 13,616,855	\$ 57,404,754	(227,346,541)
General revenues:				
Property taxes levied for general education purposes				12,897,996
Property taxes levied for special education purposes				163,919,753
Property taxes levied for vocational education purposes				40,123,506
Federal and state aid not restricted to specific purposes				4,599,747
Investment earnings				7,409,919
Other revenues				286,201
Total general revenues				229,237,122
Change in Net Assets				1,890,581
Net Assets - beginning of year				131,231,491
Net Assets - end of year				\$ 133,122,072

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2008

Assets	General Education Fund	Special Education Fund	Vocational Education Fund	CFE Campus Renovations Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments (Note 3)	\$ 13,355,155	\$ 22,229,939	\$ 24,828,153	\$ 25,508,759	\$ 7,777,839	\$ 93,699,845
Receivables (Note 4)	3,060,142	14,810,852	3,572,117	39,056	—	21,482,167
Deposits and prepaid expenditures	34,852	38,704	67,144	—	—	140,700
Restricted assets (Note 2)	—	—	—	8,637,744	—	8,637,744
Total assets	<u>\$ 16,450,149</u>	<u>\$ 37,079,495</u>	<u>\$ 28,467,414</u>	<u>\$ 34,185,559</u>	<u>\$ 7,777,839</u>	<u>\$ 123,960,456</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,058,562	\$ 13,980,426	\$ 1,880,381	\$ 6,847,745	\$ 89,829	\$ 23,856,943
Accrued payroll and other liabilities	330,298	713,298	1,624,995	8,602	—	2,677,193
Deferred revenue (Note 4)	5,385,431	9,287	32,149	—	—	5,426,867
Total liabilities	<u>6,774,291</u>	<u>14,703,011</u>	<u>3,537,525</u>	<u>6,856,347</u>	<u>89,829</u>	<u>31,961,003</u>
Fund balances:						
Reserved:						
Deposits and prepaid expenditures	34,852	38,704	67,144	—	—	140,700
Debt service	—	—	—	—	178,971	178,971
Unreserved and designated (Note 8)	4,600,000	17,537,784	214,500	—	—	22,352,284
Unreserved and undesignated, reported in:						
General Fund	5,041,006	—	—	—	—	5,041,006
Special Revenue Funds	—	4,799,996	24,648,245	—	6,479,061	35,927,302
Capital Projects Funds	—	—	—	27,329,212	1,029,978	28,359,190
Total fund balances	<u>9,675,858</u>	<u>22,376,484</u>	<u>24,929,889</u>	<u>27,329,212</u>	<u>7,688,010</u>	<u>91,999,453</u>
Total liabilities and fund balances	<u>\$ 16,450,149</u>	<u>\$ 37,079,495</u>	<u>\$ 28,467,414</u>	<u>\$ 34,185,559</u>	<u>\$ 7,777,839</u>	<u>\$ 123,960,456</u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2008

Fund balance:

Total governmental funds	\$	91,999,453
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in
the governmental funds:

Governmental capital assets	\$	115,831,368	
Less accumulated depreciation		<u>(21,436,338)</u>	94,395,030

Other long-term assets are not available to pay current period expenditures, therefore are deferred in the governmental funds (GASB No. 33)		655,732
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Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the
governmental funds:

Bonds payable, including premium	(56,183,128)
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Accrued interest payable is included as a liability in the governmental funds	(411,008)
--	-----------

Proprietary Funds are included as part of governmental
activities

	<u>2,665,993</u>
Net assets of governmental activities	<u><u>\$ 133,122,072</u></u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2008

	General Education Fund	Special Education Fund	Vocational Education Fund	CFE Campus Renovations Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Local	\$ 22,859,331	\$ 166,940,311	\$ 41,671,179	\$ 2,058,090	\$ 2,311,585	\$ 235,840,496
State	5,339,401	6,024,897	847,042	—	—	12,211,340
Federal	1,900,637	41,730,870	6,893,311	—	—	50,524,818
Other revenues	1,054,446	252,488	132,900	—	—	1,439,834
Total revenues	<u>31,153,815</u>	<u>214,948,566</u>	<u>49,544,432</u>	<u>2,058,090</u>	<u>2,311,585</u>	<u>300,016,488</u>
Expenditures:						
Current:						
Instruction services	—	1,939,400	15,445,197	—	150,000	17,534,597
Support services:						
Pupil	120,233	7,352,209	1,601,358	—	—	9,073,800
Instructional staff	9,561,561	5,665,372	3,854,311	—	—	19,081,244
General administration	1,296,125	636,188	651,596	—	—	2,583,909
School administration	—	—	2,198,145	—	—	2,198,145
Business services	1,222,630	915,437	648,512	195,526	—	2,982,105
Operations and maintenance	696,014	677,193	3,518,111	78,950	—	4,970,268
Pupil transportation	242,753	121,325	203,723	—	—	567,801
Central	7,663,344	2,951,642	3,490,251	—	757,049	14,862,286
Other support services	1,020,283	258,739	122,515	—	—	1,401,537
Community services	903,153	320,415	4,535,965	—	—	5,759,533
Interdistrict transfers and other	6,078,116	197,267,699	1,999,723	—	—	205,345,538
Facilities acquisition	—	—	—	380,936	209,447	590,383
Debt service:						
Principal	—	—	—	—	1,455,000	1,455,000
Interest and other	—	—	—	—	2,885,329	2,885,329
Capital outlay	366,980	372,352	1,238,948	39,992,970	182,209	42,153,459
Total expenditures	<u>29,171,192</u>	<u>218,477,971</u>	<u>39,508,355</u>	<u>40,648,382</u>	<u>5,639,034</u>	<u>333,444,934</u>
Excess (deficiency) of revenues over expenditures	<u>1,982,623</u>	<u>(3,529,405)</u>	<u>10,036,077</u>	<u>(38,590,292)</u>	<u>(3,327,449)</u>	<u>(33,428,446)</u>
Other financing sources (uses):						
Transfers in (Note 6)	—	—	—	1,000,000	3,274,865	4,274,865
Transfers out (Note 6)	(1,431,059)	(697,953)	(2,145,853)	—	—	(4,274,865)
Total other financing sources (uses)	<u>(1,431,059)</u>	<u>(697,953)</u>	<u>(2,145,853)</u>	<u>1,000,000</u>	<u>3,274,865</u>	<u>—</u>
Net change in fund balances	551,564	(4,227,358)	7,890,224	(37,590,292)	(52,584)	(33,428,446)
Fund balances – Beginning of year	<u>9,124,294</u>	<u>26,603,842</u>	<u>17,039,665</u>	<u>64,919,504</u>	<u>7,740,594</u>	<u>125,427,899</u>
Fund balances – End of year	<u>\$ 9,675,858</u>	<u>\$ 22,376,484</u>	<u>\$ 24,929,889</u>	<u>\$ 27,329,212</u>	<u>\$ 7,688,010</u>	<u>\$ 91,999,453</u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2008

Change in fund balances:

Total governmental funds	\$	(33,428,446)
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives:

Capitalized capital outlay - governmental funds	\$	35,460,476	
Less current year depreciation - governmental funds		<u>(2,215,466)</u>	33,245,010

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	(1,646,269)
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Amortization of bond premium is revenue on the statement of activities; it is not in the governmental funds	87,612
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	69,751
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Proprietary Funds are included as governmental activities	2,107,923
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	<u>1,455,000</u>
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Change in net assets of governmental activities	\$	<u><u>1,890,581</u></u>
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The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Proprietary Funds
Statement of Net Assets
June 30, 2008

	Production Print Enterprise Fund	Internal Service Fund
Assets		
Cash (Note 3)	\$ 150,175	\$ 5,219,321
Receivables (Note 4)	17,528	122,944
Prepaid expenditures	—	15,915
Inventory	87,532	—
Capital assets, net of accumulated depreciation	<u>221,807</u>	<u>—</u>
Total assets	477,042	5,358,180
Liabilities		
Accounts payable	9,293	56,503
Provision for compensated absences (Note 7)	—	283,352
Provision for uninsured losses and liabilities (Note 10)	—	124,400
Accrued liabilities	<u>15,369</u>	<u>130,148</u>
Total current liabilities	24,662	594,403
Noncurrent liabilities - Provision for compensated absences (Note 7)	—	2,550,164
Total liabilities	<u>24,662</u>	<u>3,144,567</u>
Net Assets - Unrestricted	<u>\$ 452,380</u>	<u>\$ 2,213,613</u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Proprietary Funds
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2008

	<u>Production Print Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges to other funds	\$ —	\$ 9,238,807
Charges for services	1,433,195	—
Other operating revenues	<u>—</u>	<u>198,589</u>
Total operating revenues	1,433,195	9,437,396
Operating Expenses:		
Production print operations	1,013,195	—
Claims, reinsurance, and administrative fees - Health, Dental, Vision, and other	—	7,627,240
Severance/Compensated Absence	—	236,496
Depreciation	<u>54,853</u>	<u>—</u>
Total operating expenses	<u>1,068,048</u>	<u>7,863,736</u>
Operating Income	365,147	1,573,660
Nonoperating Revenue - Interest income	<u>23,015</u>	<u>146,101</u>
Income before contributions	388,162	1,719,761
Contributions of capital assets from funds	<u>64,218</u>	<u>—</u>
Change in net assets	452,380	1,719,761
Net Assets - Beginning of year	<u>—</u>	<u>493,852</u>
Net Assets - End of year	\$ <u><u>452,380</u></u>	\$ <u><u>2,213,613</u></u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2008

	<u>Production Print Enterprise Fund</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:		
Receipts from other funds and other	\$ —	\$ 9,315,519
Claims and administrative fees paid	—	(7,695,251)
Cash received from customers	1,415,667	—
Cash paid for production print operations	<u>(1,076,065)</u>	<u>—</u>
Net cash provided by operating activities	339,602	1,620,268
Cash Flows from Investing Activities - Interest received on investments	23,015	146,101
Cash Flows from Capital Financing Activities - Payments for capital acquisitions	<u>(212,442)</u>	<u>—</u>
Net Increase in Cash	150,175	1,766,369
Cash - Beginning of year	<u>—</u>	<u>3,452,952</u>
Cash - End of year	\$ <u><u>150,175</u></u>	\$ <u><u>5,219,321</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 365,147	\$ 1,573,660
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	54,853	—
Accounts receivable	(17,528)	(121,877)
Prepays	—	(15,915)
Inventory	(87,532)	—
Accounts payable	9,293	35,022
Accrued liabilities	15,369	130,149
Accrued benefits	—	24,429
Provision for uninsured losses	<u>—</u>	<u>(5,200)</u>
Net cash provided by operating activities	\$ <u><u>339,602</u></u>	\$ <u><u>1,620,268</u></u>
Noncash Capital Financing Activities - Contribution of capital equipment from other funds	\$ <u><u>64,218</u></u>	\$ <u><u>—</u></u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Statement of Assets and Liabilities
Fiduciary Funds
June 30, 2008

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 566,914
Accounts receivable	980
Total assets	\$ <u>567,894</u>
Liabilities:	
Due to Nippondenso Foundation	\$ 220,977
Due to students and other	346,917
Total liabilities	\$ <u>567,894</u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(1) Reporting Entity

Oakland County elected its first County Commissioner of Schools in 1923. The Commissioner had oversight of 175 districts in the County of Oakland. In 1941, the residents of the County, under the authority of Public Act (P.A.) 117 of 1935, elected its first County School Board. On March 28, 1963, the County District became a Public Corporation under P.A. 190 of 1962, formally establishing the Oakland Intermediate School District ("Oakland Schools"). Oakland Schools (the "District") provides direct special educational and vocational educational services at several sites throughout the County. The District is responsible for compliance monitoring, professional development, grant management, a wide array of reporting functions, and many more support services for its constituent districts. The District is not included in any other governmental "reporting entity," since the District's Board of Education members are elected by local school boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes all activities of the District and all activities considered to be controlled by the Board of Education.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining which various governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

(2) Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The District follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant accounting policies used by the District:

(a) Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the District, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the District. This statement aggregates all the governmental activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund - The General Fund is used to account for the general operations of the District pertaining to support services and those operations not provided for in another fund.

Special Education Fund - The Special Education Fund is used to account for all revenues and expenditures related to the District's operation of special education programs, including transfers to its constituent districts for the operation of local special education programs.

Vocational Education Fund - The Vocational Education Fund is used to account for all revenues and expenditures related to the District's operation of vocational education programs, including transfers to its constituent districts for the operation of local vocational education center programs.

CFE Campus Renovations Capital Projects Fund - The CFE Campus Renovations Capital Projects Fund was established for Vocational Education Campus Renovation projects. This fund is utilized to record transactions associated with capital asset acquisition, renovation or improvement.

Additionally, the District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Collaborative Programming Development Initiative (CPDI) Fund and the Oakland Network for Education (ONE) Cooperative Education Fund. The CPDI Fund is used to enhance the academic achievement of Oakland Schools students by supporting collaborative instructional programs that can potentially serve students in all Oakland Schools' constituent school districts. The ONE Cooperative Education Fund is used to provide services through advanced voice video and data network infrastructure in order to build a stronger learning community within the Oakland Schools boundaries.

Capital Projects Funds - Capital Projects Funds are established for General, Special Education, Vocational Education, and AMS Technology projects. Each of these funds is utilized to record transactions associated with capital asset acquisition, renovation or improvement. The funds used to accomplish the purpose of the respective fund arose from operating transfers from the General, Special Education, and Vocational Education Funds in previous years. The AMS Technology Capital Project Fund is used to record transactions associated with the bond proceeds and associated expenditures related to the acquisition and installation of the AMS technology system.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Debt Service Funds - The 2003, 2004 and 2007 Bond Debt Service Funds are used to record transfers from the General, Special Education and Vocational Education Funds in order to pay debt principal and interest on outstanding bond obligations.

Proprietary Funds - The District maintains two proprietary funds, the Production Print Enterprise Fund and an Internal Service Fund. The Enterprise Funds are used to report activities for which there is a fee to external users for goods and services. The Internal Service Fund accounts for all of the District's insurance programs and employee-compensated absences provided to other funds of the District on a cost-reimbursement basis as well as providing a claims fluctuation reserve for future insurance liabilities.

Fiduciary Fund Type - Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. The District has various Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

(b) *Basis of Accounting*

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timeliness of the related cash flow. Nonexchange transactions, in which the District gives (receives) value without directly receiving (or giving) equal value in exchange, include property taxes and certain forms of state aid. Revenue from grants is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Fiduciary funds are reported using the modified accrual basis of accounting.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

(c) *Cash and Investments*

Cash and investments include cash on hand, demand deposits, and highly liquid investments with a maturity of less than one year when acquired. Investments are stated at fair value, which is determined by using quoted market rates.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(d) *Property Tax Revenues*

Real and personal properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year for the portion of the taxes that is due September 14, and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the County tax rolls. The available period for property tax revenue recognition in the governmental fund financial statements is limited to 60 days.

The delinquent real property taxes of the District are purchased by the County of Oakland. The County of Oakland, Michigan intends to sell tax notes, the proceeds of which will be used to pay the District for these property taxes. These taxes have been recorded as revenue for the current year.

(e) *Inventories*

Inventories consist primarily of instructional materials and are valued at cost, determined on the basis of average cost. Enterprise fund-type inventories are recorded as expenditures when sold.

(f) *Prepaid Expenditures*

Payments made for services that will benefit periods beyond June 30, 2008 are recorded as prepaid expenditures. Prepaid expenditures recorded in the governmental fund types do not reflect current appropriable resources, and thus, an equivalent portion of fund balance is reserved.

(g) *Interfund Transactions*

Interfund transactions consist mostly of transfers. Transfers are the flow of assets (such as cash) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported as other financing uses in the funds making the transfer and as other financing sources in the funds receiving the transfer. These consist primarily of cash transferred to the various Capital Projects Funds to acquire or construct capital assets as well as funds transferred from the General, Special Education and Vocational Education Funds for payment of debt service. Transfers were also made during the year ended June 30, 2008 to fund two Special Revenue Funds.

(h) *Restricted Assets*

The unspent bond proceeds and related interest of the CFE Campus Renovations Capital Project Fund require amounts to be set aside for construction. These amounts have been classified as restricted.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(i) ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition. The District's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Additionally, the District capitalizes building improvements of \$50,000 or more. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally as follows:

Buildings	50 years
Building improvements	20 years
Equipment	7 to 10 years
Furniture and equipment	7 to 10 years
Vehicles other than buses	7 years

(j) ***Compensated Absences***

Unused vacation time accumulates up to a maximum level until termination of employment. Upon termination of employment, the District pays out the employee's accumulated vacation days at their current per diem. Employees accumulate sick leave at a rate of 13 days per year. It is the policy of Oakland Schools that upon resignation or retirement with 90 days' notice, an employee shall be paid separation at \$70.00 per day for all days accumulated up to 100 days, and half of their unused accumulated sick leave at the rate of \$35.00 per day for days accumulated over 100 days. Without 90 days' notice, an employee is paid half of their unused accumulated sick leave at the rate of \$35.00 per day.

The liability for compensated absences reported in the proprietary and government-wide statements consists of unpaid, accumulated vacation and sick leave balances.

(k) ***Deferred Revenues***

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

(l) ***Eliminations***

In preparing the basic financial statements, the District eliminates interfund assets and liabilities that would otherwise be reflected twice in the government-wide statement of net assets. Similarly, revenues and expenses related to inter-department activities are also eliminated from the government-wide statement of activities.

(m) ***Use of Estimates***

Management of the District has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(3) Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated one bank for the deposit of its funds.

The investment policy adopted by the Board additionally requires the Investment Officer to obtain bids from at least two brokers or financial institutions on all purchases of investment instruments on the secondary market.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$26,842,292 was uncollateralized, except for \$100,000 of FDIC insurance. Subsequent to year end, the District moved the majority of its bank deposits into collateralized funds with its existing financial institution. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business using the criteria established in the investment policy. At June 30, 2008, the District had investments in commercial paper with a carrying value of \$18,811,417 held by an agent in the District's name. The investment securities were uninsured and unregistered.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy adopted by the board minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
United States government agency securities:				
Federal Home Loan Bank	\$ 26,276,831	various	AAA	Standard & Poor's
Federal Home Loan Mortgage Corporation	7,110,614	various	AAA	Standard & Poor's
Federal National Mortgage Association	6,709,906	12/26/2008	A-1+	Standard & Poor's
Commercial Paper - Bank of America	3,958,028	11/3/2008	A-1+	Standard & Poor's
Commercial Paper - General Electric	3,938,376	9/16/2008	A-1+	Standard & Poor's
Commercial Paper - General Electric	3,978,748	12/1/2008	A-1+	Standard & Poor's
Commercial Paper - HSBC Finance Corp	3,948,016	12/1/2008	A-1+	Standard & Poor's
Commercial Paper - Toyota Motor	2,988,249	8/29/2008	A-1+	Standard & Poor's
Michigan Liquid Asset Fund	22,522,940	n/a	AAAf/AAAm	Standard & Poor's
	<u>\$ 81,431,708</u>			

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As the District currently holds only cash deposits, a discussion of the concentration of credit risk is not applicable.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the District's policy prohibit investment in foreign currency.

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

(4) Receivables

Receivables as of year end for the District's individual major funds and the nonmajor funds are as follows:

	General Fund	Special Education Fund	Vocational Education Fund	CFE Campus Renovations Capital Projects	Proprietary Funds	Total
Property taxes	\$ 57,169	\$ 726,551	\$ 177,842	\$ -	\$ -	\$ 961,562
Accounts	1,016,748	226,845	199,022	39,056	140,472	1,622,143
Intergovernmental	<u>1,986,225</u>	<u>13,857,456</u>	<u>3,195,253</u>	<u>-</u>	<u>-</u>	<u>19,038,934</u>
Total	<u>\$ 3,060,142</u>	<u>\$ 14,810,852</u>	<u>\$ 3,572,117</u>	<u>\$ 39,056</u>	<u>\$ 140,472</u>	<u>\$ 21,622,639</u>

All balances are considered fully collectible at June 30, 2008.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ 655,732	\$ 4,771,135

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

(5) Capital Assets

A summary of changes in governmental capital assets follows:

	Balance as of June 30, 2007	Additions and Reclassifications	Disposals and Reclassifications	Balance as of June 30, 2008
Capital assets not depreciated:				
Land	\$ 3,992,143	\$ —	\$ —	\$ 3,992,143
Construction in progress	10,407,486	38,749,651	—	49,157,137
Subtotal	14,399,629	38,749,651	—	53,149,280
Capital assets depreciated:				
Buildings	29,827,743			29,827,743
Building improvements	14,645,849	180,000	291,181	15,117,030
Furniture and equipment	21,031,944	1,205,507	(4,624,600)	17,612,851
Vehicles other than buses	460,761	21,306	54,791	536,858
Subtotal	65,966,297	1,406,813	(4,278,628)	63,094,482
Less accumulated depreciation:				
Buildings	(3,448,636)	(546,313)	0	(3,994,949)
Building improvements	(4,094,608)	(457,233)	870,169	(3,681,672)
Furniture and equipment	(11,446,357)	(1,257,932)	(1,021,427)	(13,725,716)
Vehicles other than buses	(162,087)	(8,841)	(53,660)	(224,588)
	(19,151,688)	(2,270,319)	(204,918)	(21,626,925)
Total capital assets, net	\$ 61,214,238	\$ 37,886,145	\$ (4,483,546)	\$ 94,616,837

Depreciation expense for the fiscal year ended June 30, 2008 amounted to \$2,215,466 for governmental-type qualifying capital assets and \$54,853 for proprietary fund capital assets. Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

(6) Interfund Receivables, Payables, and Transfers

There were no interfund balances as of June 30, 2008.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Transfers to/from other funds at June 30, 2008 consist of the following:

\$ 981,759	From the General Fund to Debt Service Funds to provide resources for debt service
138,153	From the Special Education Fund to the Debt Service Fund to provide resources for debt service
984,953	From the Vocational Education Fund to the Debt Service Fund to provide resources for debt service
421,200	From the General Fund to the General Fund Capital Projects Fund to provide resources for capital projects
538,200	From the Special Education Fund to the General Fund Capital Projects Fund to provide resources for capital projects
140,600	From the Vocational Education Fund to the Capital Projects Fund to provide resources for capital projects
1,000,000	From the Vocational Education Fund to the CFE Campus Renovations Capital Projects Fund to provide resources for capital projects
28,100	From the General Fund to the ONE Cooperative Education Fund to provide resources for project
21,600	From the Special Education Fund to the ONE Cooperative Education Fund to provide resources for project
20,300	From Vocational Education Fund to the ONE Cooperative Education Fund to provide resources for project
<hr/>	
\$ 4,274,865	

(7) Long-term Obligations

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The provision for uninsured losses and liabilities represents a reserve for future insurance obligations recorded in the District's Internal Service Fund. Other long-term obligations consist of compensated absences of unpaid, accumulated vacation and sick leave balances. These amounts are paid for by the Internal Service Fund and are funded by charges to the respective fund to which the eligible employee's compensation is charged. Long-term obligations of the District and changes therein for the year ended June 30, 2008 were as follows:

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$ 55,185,000	\$ —	\$ 1,455,000	\$ 53,730,000	\$ 1,870,000
Premium on debt issued	2,540,740	—	87,612	2,453,128	87,612
Compensated absences	<u>2,809,086</u>	<u>81,271</u>	<u>56,841</u>	<u>2,833,516</u>	<u>283,352</u>
Total	<u>\$ 60,534,826</u>	<u>\$ 81,271</u>	<u>\$ 1,599,453</u>	<u>\$ 59,016,644</u>	<u>\$ 2,240,964</u>

Annual debt service requirements to maturity for the above governmental bonds are as follows:

	Principal	Interest	Total
2009	\$ 1,870,000	\$ 2,466,045	\$ 4,336,045
2010	1,925,000	2,402,583	4,327,583
2011	1,485,000	2,337,216	3,822,216
2012	1,545,000	2,283,365	3,828,365
2013	1,610,000	2,225,916	3,835,916
2014-2018	9,115,000	10,125,277	19,240,277
2019-2023	7,135,000	8,276,838	15,411,838
2024-2028	9,095,000	6,313,312	15,408,312
2029-2034	11,555,000	3,852,925	15,407,925
2034 and beyond	<u>8,395,000</u>	<u>853,000</u>	<u>9,248,000</u>
	<u>\$ 53,730,000</u>	<u>\$ 41,136,477</u>	<u>\$ 94,866,477</u>

Governmental Activities

General obligation bonds consist of the following:

\$8,000,000 Limited Tax General Obligation Bonds, due in annual installments of \$505,000 to \$740,000 through May 1, 2018, interest at 2.25% to 4.00%	\$ 6,200,000
\$2,925,000 Limited Tax General Obligation Bonds, due in annual installments of \$500,000 through May 1, 2010, interest at 3.50% to 3.625%	1,000,000
\$47,000,000 Limited Tax General Obligation Bonds, due in annual installments of \$865,000 to \$2,935,000 through May 1, 2036, interest at 3.65% to 5.00%	<u>46,530,000</u>
Total bonded debt	<u>\$ 53,730,000</u>

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

(8) Designated Fund Balances

Designated Fund Balances are as follows:

Designated for:

General Fund:

Various District initiatives, including CPDI, funding debt service and facilities renovations	\$ 3,600,000
Student Assessment System Data Analysis Tool (SAS-DAT): To identify existing funding commitments	<u>1,000,000</u>
Total General Fund designations	\$ <u>4,600,000</u>

Special Education Fund:

Center Program Facility Protocol: To identify funding that has been committed to future special education center program facility construction and renovations or repair per the protocol's guidelines	\$ 16,537,784
Start-Up/Extraordinary Contingency: To identify committed ISD funds to support potential new special education center program start-up costs or to fund unexpected extraordinary costs associated with special education programming in the LEAs	<u>1,000,000</u>
Total Special Education Fund designations	\$ <u>17,537,784</u>

Vocational Education Fund:

LEA Portion - Original Levy Agreement: To identify the remaining ISD funding commitment between the ISD and the LEAs associated with the first three years of tax revenue generated by the passage of the 9/25/01 Vocational Education millage. The amount of the designation represents the net remaining revenues	\$ <u>214,500</u>
Total Vocational Education Fund designations	\$ <u>214,500</u>

(9) Defined Benefit Pension Plan and Postemployment Benefits

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Funding Policy

Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$3,873,370, \$3,530,745, and \$3,145,267, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$2,449,273, \$2,128,834, and \$2,175,803, respectively.

(10) Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, employee medical benefits, workers' compensation and errors and omissions; the District is partially uninsured for unemployment and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The District estimates the liability for unemployment and vision and dental has been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

	<u>2008</u>	<u>2007</u>
Estimated liability - Beginning of year	\$ 129,600	\$ 187,029
Estimated claims incurred - Including changes in estimates	775,488	886,774
Claim payments	(780,688)	(944,203)
Estimated liability - End of year	<u>\$ 124,400</u>	<u>\$ 129,600</u>

Vision and Dental - The self-insured vision and dental plans cover substantially all employees and their dependents. Claims are funded by the District and paid by the plan administrator. The District pays all administrative costs of the plan. Total costs for such benefits were approximately \$781,000 for the year ended June 30, 2008.

Unemployment - The District is self-insured for unemployment expenses. Claims are funded by the District and paid by the plan administrator. The District incurred approximately \$40,000 in unemployment expense for fiscal year 2008.

Workers' Compensation - The District provides a workers' compensation plan that covers all employees. The premiums are paid for by the District. During 2008, the premiums amounted to approximately \$111,000.

Medical - The District provides medical insurance with certain co-pay features to substantially all employees. Some plans require that the employee pay a portion of the premium. During 2008, the premiums paid by the District amounted to approximately \$6,223,000.

Property and General Liability - The District is exposed to various risks of loss related to property loss and employee injuries. The District has purchased insurance to cover losses to its buildings and contents in the amount of approximately \$122 million. The District has a fleet of 16 vans and six trucks, which have liability coverage of \$8 million. The District also has \$8 million in general liability insurance.

There has not been a significant reduction in insurance coverage in the current year and settlements have not exceeded coverage for each of the past three years for the risk management liabilities.

Provision for Uninsured Losses and Liabilities - The District has established a reserve in the Internal Service Fund for future uninsured losses and liabilities which may occur over time.

(11) Commitments and Contingencies

All funded projects established by the District under federal, state, and local programs of education are subject to audit by the funding agency. No provision has been established in the financial statements for disallowed costs, if any, which might occur as a result of an audit by a funding agency. Any disallowed costs would become a liability of the District; however, any such liability, in the opinion of management, is expected to be immaterial.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

The District has committed to provide facility renovations at two special education centers. Funding commitments of \$16,537,784 have been established for this project. As of June 30, 2008, \$9,013,697 has been expended on this project.

The District has also committed to complete significant vocational education campus renovations with an estimated total project cost of \$69,409,000. The District intends to fund this project through vocational education funds and bond proceeds of \$47,000,000. As of June 30, 2008, approximately \$47,526,000 has been expended on this project.

The District, through its involvement in the Community Telecommunications Network ("CTN"), has agreed to sell excess capacity related to certain cellular phone towers. The agreement lasts for an extended period and collections will be dependent upon collections by CTN from the sublessee. During the year ended June 30, 2008, the District received approximately \$1,650,000, which has been reported in the ONE Cooperative Education Fund (\$1.3 million) and the General Fund (\$.3 million). Future collections will be reported in the General Fund as funds are received. Current estimated collections for the next year are approximately \$300,000.

Required Supplementary Information

OAKLAND SCHOOLS
 Budgetary Comparison Schedule
 General Education Fund
 Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget – Favorable (Unfavorable)
Revenues:				
Local	\$ 24,561,466	\$ 24,405,284	\$ 22,859,331	\$ (1,545,953)
State	6,098,843	5,922,572	5,339,401	(583,171)
Federal	2,906,391	3,254,044	1,900,637	(1,353,407)
Other revenues	400,000	400,000	1,054,446	654,446
Total revenues	<u>33,966,700</u>	<u>33,981,900</u>	<u>31,153,815</u>	<u>(2,828,085)</u>
Expenditures - Current:				
Instruction	35,609	35,609	—	35,609
Support services:				
Pupil	160,200	133,100	120,233	12,867
Instructional staff	11,105,775	12,015,405	9,569,122	2,446,283
General administration	1,333,520	1,383,420	1,306,778	76,642
Business services	1,411,900	1,471,600	1,222,630	248,970
Operations and maintenance	1,059,300	918,000	714,572	203,428
Pupil transportation	702,200	480,100	242,753	237,347
Central	8,965,700	9,038,000	7,993,552	1,044,448
Other support services	1,199,900	1,159,300	1,020,283	139,017
Community services	1,111,015	1,347,504	903,153	444,351
Interdistrict transfers and other	7,858,381	7,885,962	7,509,175	376,787
Total expenditures and other uses	<u>34,943,500</u>	<u>35,868,000</u>	<u>30,602,251</u>	<u>5,265,749</u>
Net Change in Fund Balance	(976,800)	(1,886,100)	551,564	2,437,664
Fund Balance – Beginning of year	<u>9,124,294</u>	<u>9,124,294</u>	<u>9,124,294</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 8,147,494</u>	<u>\$ 7,238,194</u>	<u>\$ 9,675,858</u>	<u>\$ 2,437,664</u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS

Budgetary Comparison Schedule

Special Education Fund

Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget – Favorable (Unfavorable)</u>
Revenues:				
Local	\$ 164,886,000	165,729,000	\$ 166,940,311	\$ 1,211,311
State	6,012,700	5,938,500	6,024,897	86,397
Federal	45,100,000	48,200,000	41,730,870	(6,469,130)
Other revenues	—	—	252,488	252,488
Total revenues	<u>215,998,700</u>	<u>219,867,500</u>	<u>214,948,566</u>	<u>(4,918,934)</u>
Expenditures - Current:				
Instruction	5,095,500	4,903,600	1,939,400	2,964,200
Support services:				
Pupil	7,825,400	7,936,172	7,498,275	437,897
Instructional staff	8,676,098	9,335,617	5,758,806	3,576,811
General administration	728,900	754,500	641,515	112,985
Business services	785,000	922,700	915,437	7,263
Operations and maintenance	1,428,600	1,052,900	707,087	345,813
Pupil transportation	—	171,400	121,325	50,075
Central	3,183,405	3,452,905	3,049,273	403,632
Other support services	390,300	342,500	258,739	83,761
Community services	345,043	349,043	320,415	28,628
Facilities acquisition	6,924,000	9,918,600	—	9,918,600
Interdistrict transfers and other	183,354,354	194,826,963	197,965,652	(3,138,689)
Total expenditures and other uses	<u>218,736,600</u>	<u>233,966,900</u>	<u>219,175,924</u>	<u>14,790,976</u>
Net Change in Fund Balance	(2,737,900)	(14,099,400)	(4,227,358)	9,872,042
Fund Balance – Beginning of year	<u>26,603,842</u>	<u>26,603,842</u>	<u>26,603,842</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 23,865,942</u>	<u>\$ 12,504,442</u>	<u>\$ 22,376,484</u>	<u>\$ 9,872,042</u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS

Budgetary Comparison Schedule

Vocational Education Fund

Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget – Favorable (Unfavorable)
Revenues:				
Local	\$ 41,155,273	\$ 41,145,973	\$ 41,671,179	\$ 525,206
State	1,229,400	861,600	847,042	(14,558)
Federal	6,791,527	7,091,527	6,893,311	(198,216)
Other revenues	140,000	140,000	132,900	(7,100)
Total revenues	<u>49,316,200</u>	<u>49,239,100</u>	<u>49,544,432</u>	<u>305,332</u>
Expenditures - Current:				
Instruction	17,748,900	17,777,600	15,871,374	1,906,226
Support services:				
Pupil	1,873,300	1,639,800	1,601,358	38,442
Instructional staff	6,260,887	4,736,634	3,859,535	877,099
General administration	738,200	763,700	656,922	106,778
School administration	2,311,500	2,349,100	2,198,145	150,955
Business services	652,600	674,900	648,512	26,388
Operations and maintenance	4,017,100	4,281,600	3,600,371	681,229
Pupil transportation	142,000	323,100	203,723	119,377
Central	4,105,100	4,096,400	3,583,247	513,153
Other support services	129,800	129,000	122,515	6,485
Community services	4,750,263	4,972,570	4,690,196	282,374
Facilities acquisition	1,225,000	925,000	472,734	452,266
Interdistrict transfers and other	3,994,750	4,129,496	4,145,576	(16,080)
Total expenditures and other uses	<u>47,949,400</u>	<u>46,798,900</u>	<u>41,654,208</u>	<u>5,144,692</u>
Net Change in Fund Balance	1,366,800	2,440,200	7,890,224	5,450,024
Fund Balance – Beginning of year	<u>17,039,665</u>	<u>17,039,665</u>	<u>17,039,665</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 18,406,465</u>	<u>\$ 19,479,865</u>	<u>\$ 24,929,889</u>	<u>\$ 5,450,024</u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS

Note to the Required Supplementary Information

June 30, 2008

Budget Process

Budgets and budgetary accounting are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget is legally adopted by the Board of Education prior to June 30. Annual appropriation budgets are adopted for the General and Special Revenue Funds. Budgets shown in the financial statements were presented on the same modified accrual basis that is used to reflect actual results. Appropriations lapse at the end of the year. Project-length financial plans are adopted for such projects and therefore original and final budget amounts for funded projects are presented at the same value as the actual results. Project-length financial plans are adopted for the Capital Projects Funds. Budget and actual comparisons for these funds are not reported in the financial statements because an annual budget is not prepared.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is at the function level. Management may amend the line-item budgets, with the legally adopted level of control, with the board's approval. The Board of Education has established the legal level of control at the function level as presented in the financial statements. The Board of Education is authorized to make amendments to the budget as deemed necessary. During the year, the budget was amended in a legally permissible manner, under the provisions of Public Act 621.

The required supplementary information - budgetary comparison schedules are presented on the same basis of accounting used to prepare the budget, which include certain items having classifications that differ from the combined statement of revenue, expenditures, and changes in fund balances.

Other Supplementary Information

OAKLAND SCHOOLS
 Budgetary Comparison Schedule
 Collaborative Programming Development Initiative Fund
 Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget – Favorable (Unfavorable)
Revenues - Local	\$ 200,000	\$ 200,000	\$ 192,775	\$ (7,225)
Expenditures - Instruction	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>—</u>
Net Change in Fund Balance	50,000	50,000	42,775	(7,225)
Fund Balance – Beginning of year	<u>4,265,000</u>	<u>4,265,000</u>	<u>4,265,000</u>	<u>—</u>
Fund Balance – End of year	\$ <u><u>4,315,000</u></u>	\$ <u><u>4,315,000</u></u>	\$ <u><u>4,307,775</u></u>	\$ <u><u>(7,225)</u></u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS
 Budgetary Comparison Schedule
 ONE Cooperative Education Fund
 Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget – Favorable (Unfavorable)</u>
Revenues:				
Local	\$ 1,657,200	\$ 1,990,600	\$ 2,022,935	\$ 32,335
Transfer in	70,000	70,000	70,000	—
Total revenues	<u>1,727,200</u>	<u>2,060,600</u>	<u>2,092,935</u>	<u>32,335</u>
Expenditures - Current	<u>1,166,500</u>	<u>1,166,500</u>	<u>757,049</u>	<u>(409,451)</u>
Net Change in Fund Balance	560,700	894,100	1,335,886	441,786
Fund Balance – Beginning of year	<u>835,400</u>	<u>835,400</u>	<u>835,400</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 1,396,100</u>	<u>\$ 1,729,500</u>	<u>\$ 2,171,286</u>	<u>\$ 441,786</u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	General Fund Capital Projects Fund	Vocational Education Capital Projects Fund	Special Education Capital Projects Fund	AMS Technology Capital Projects Fund	Administration Building Capital Projects Fund	2003 Bond Debt Service Fund	AMS Bond Technology Debt Service Fund	2007 Bond Debt Service Fund	Collaborative Programming Development Initiative Fund	ONE Cooperative Education Fund	Total Nonmajor Governmental Funds
Assets - Cash and investments	\$ —	\$ —	\$ —	\$ —	\$ 1,078,282	\$ —	\$ —	\$ 178,971	\$ 4,307,775	\$ 2,212,811	\$ 7,777,839
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ 48,304	\$ —	\$ —	\$ —	\$ —	\$ 41,525	\$ 89,829
Due to other funds	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	—	—	—	—	48,304	—	—	—	—	41,525	89,829
Fund Balances:											
Reserved for debt service	—	—	—	—	—	—	—	178,971	—	—	178,971
Unreserved, reported in:											
Capital Projects Funds	—	—	—	—	1,029,978	—	—	—	—	—	1,029,978
Special Revenue Funds	—	—	—	—	—	—	—	—	4,307,775	2,171,286	6,479,061
Total fund balances	—	—	—	—	1,029,978	—	—	178,971	4,307,775	2,171,286	7,688,010
Total liabilities and fund balances	\$ —	\$ —	\$ —	\$ —	\$ 1,078,282	\$ —	\$ —	\$ 178,971	\$ 4,307,775	\$ 2,212,811	\$ 7,777,839

OAKLAND SCHOOLS

Other Supplemental Information

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2008

	General Fund Capital Projects Fund	Vocational Education Capital Projects Fund	Special Education Capital Projects Fund	AMS Technology Capital Projects Fund	Administration Building Capital Projects Fund	2003 Bond Debt Service Fund	AMS Bond Technology Debt Service Fund	2007 Bond Debt Service Fund	Collaborative Programming Development Initiative Fund	ONE Cooperative Education Fund	Total Nonmajor Governmental Funds
Revenues - Local	\$ 3,807	\$ —	\$ —	\$ —	\$ 33,522	\$ —	\$ —	\$ 58,546	\$ 192,775	\$ 2,022,935	\$ 2,311,585
Expenditures:											
Instruction services	—	—	—	—	—	—	—	—	150,000	—	150,000
Support services - Central	—	—	—	—	—	—	—	—	—	757,049	757,049
Facilities acquisition	55,714	9,648	33,341	60,907	49,837	—	—	—	—	—	209,447
Debt service:											
Bond principal	—	—	—	—	—	485,000	500,000	470,000	—	—	1,455,000
Bond interest and other	—	—	—	—	—	220,340	52,725	2,612,264	—	—	2,885,329
Capital outlay	49,203	16,423	62,876	—	53,707	—	—	—	—	—	182,209
Total expenditures	104,917	26,071	96,217	60,907	103,544	705,340	552,725	3,082,264	150,000	757,049	5,639,034
Excess (deficiency) of revenues over expenditures	(101,110)	(26,071)	(96,217)	(60,907)	(70,022)	(705,340)	(552,725)	(3,023,718)	42,775	1,265,886	(3,327,449)
Other financing sources - Transfers in	—	—	—	—	1,100,000	705,340	552,725	846,800	—	70,000	3,274,865
Net change in fund balances	(101,110)	(26,071)	(96,217)	(60,907)	1,029,978	—	—	(2,176,918)	42,775	1,335,886	(52,584)
Fund balances – Beginning of year	101,110	26,071	96,217	60,907	—	—	—	2,355,889	4,265,000	835,400	7,740,594
Fund balances – End of year	\$ —	\$ —	\$ —	\$ —	\$ 1,029,978	\$ —	\$ —	\$ 178,971	\$ 4,307,775	\$ 2,171,286	\$ 7,688,010

OAKLAND SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2008

<u>June 30</u>	2003-2004 General Bonds <u>Principal</u>	2004-2005 General Bonds <u>Principal</u>	2006-2007 General Bonds <u>Principal</u>
2009	\$ 505,000	\$ 500,000	\$ 865,000
2010	530,000	500,000	895,000
2011	555,000	-	930,000
2012	580,000	-	965,000
2013	605,000	-	1,005,000
2014	630,000	-	1,045,000
2015	655,000	-	1,085,000
2016	685,000	-	1,130,000
2017	715,000	-	1,185,000
2018	740,000	-	1,245,000
2019	-	-	1,295,000
2020	-	-	1,355,000
2021	-	-	1,420,000
2022	-	-	1,495,000
2023	-	-	1,570,000
2024	-	-	1,645,000
2025	-	-	1,730,000
2026	-	-	1,815,000
2027	-	-	1,905,000
2028	-	-	2,000,000
2029	-	-	2,100,000
2030	-	-	2,205,000
2031	-	-	2,300,000
2032	-	-	2,415,000
2033	-	-	2,535,000
2034	-	-	2,665,000
2035	-	-	2,795,000
2036	-	-	2,935,000
	<u>\$ 6,200,000</u>	<u>\$ 1,000,000</u>	<u>\$ 46,530,000</u>
Principal payments due	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	2.25% to 4.00%	3.50% to 3.625%	3.65% to 5.00%
Original issue	<u>\$ 8,000,000</u>	<u>\$ 2,925,000</u>	<u>\$ 47,000,000</u>

Oakland Schools
Net Assets by Component - Governmental Activities (Unaudited)

	June 30					
	2003	2004	2005	2006	2007	2008
Invested in capital assets - Net of related debt	\$ 49,225,138	\$ 47,457,111	\$ 43,327,960	\$ 46,242,804	\$ 3,007,739	\$ 38,022,701
Restricted	48,031,489	38,326,398	44,309,712	55,709,484	113,505,166	76,500,266
Unrestricted	<u>5,471,175</u>	<u>6,154,526</u>	<u>9,668,830</u>	<u>12,536,768</u>	<u>14,718,586</u>	<u>18,599,105</u>
 Total primary government net assets	 <u>\$ 102,727,802</u>	 <u>\$ 91,938,035</u>	 <u>\$ 97,306,502</u>	 <u>\$ 114,489,056</u>	 <u>\$ 131,231,491</u>	 <u>\$ 133,122,072</u>

Note: Net assets prior to the 2003 fiscal year not available. The District implemented GASB #34 as of July 1, 2002.

Oakland Schools
Changes in Governmental Net Assets (Unaudited)

	Year Ended June 30					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Instruction	\$ 12,231,082	\$ 14,412,384	\$ 14,344,411	\$ 13,493,662	\$ 17,704,888	\$ 17,534,597
Support services	193,917,572	234,156,182	235,721,888	244,467,412	251,413,078	275,747,656
Interest on long-term debt	-	102,785	358,213	320,453	777,738	2,815,578
Depreciation (unallocated)	<u>1,947,630</u>	<u>2,563,984</u>	<u>2,807,599</u>	<u>2,811,688</u>	<u>2,999,626</u>	<u>2,270,319</u>
Total expenses	208,096,284	251,235,335	253,232,111	261,093,215	272,895,330	298,368,150
Program Revenue						
Charges for services	5,672,658	5,494,978	4,748,346	10,225,400	10,805,377	13,616,855
Operating grants and contributions	<u>43,102,667</u>	<u>48,610,670</u>	<u>57,941,511</u>	<u>60,601,751</u>	<u>55,162,425</u>	<u>57,404,754</u>
Total program revenue	<u>48,775,325</u>	<u>54,105,648</u>	<u>62,689,857</u>	<u>70,827,151</u>	<u>65,967,802</u>	<u>71,021,609</u>
Net Expenses	(159,320,959)	(197,129,687)	(190,542,254)	(190,266,064)	(206,927,528)	(227,346,541)
General Revenues						
Property taxes	173,175,345	179,061,300	187,449,495	195,279,887	210,389,653	216,941,255
Federal and state aid not restricted to specific purposes	5,161,107	4,904,530	6,087,771	7,066,171	5,184,400	4,599,747
Investment earnings	1,537,215	1,092,423	2,287,386	5,014,376	7,992,394	7,409,919
Other	<u>6,513,297</u>	<u>1,281,667</u>	<u>86,069</u>	<u>88,184</u>	<u>103,516</u>	<u>286,201</u>
Total general revenues	<u>186,386,964</u>	<u>186,339,920</u>	<u>195,910,721</u>	<u>207,448,618</u>	<u>223,669,963</u>	<u>229,237,122</u>
Change in Net Assets	<u>\$ 27,066,005</u>	<u>\$ (10,789,767)</u>	<u>\$ 5,368,467</u>	<u>\$ 17,182,554</u>	<u>\$ 16,742,435</u>	<u>\$ 1,890,581</u>

Note: Net assets prior to the 2003 fiscal year not available. The District implemented GASB #34 as of July 1, 2002.

Oakland Schools
Fund Balances - Governmental Funds (Unaudited)
Last Ten Fiscal Years

As of June 30										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Reserved	\$ 69,952	\$ 130,299	\$ 104,208	\$ 191,298	\$ 176,597	\$ 44,357	\$ 320,541	\$ 199,278	\$ 567,073	\$ 34,852
Unreserved	8,913,558	11,466,523	10,546,505	6,986,844	14,533,793	7,729,737	10,252,018	12,096,792	8,557,221	9,641,006
Total General Fund	<u>\$ 8,983,510</u>	<u>\$ 11,596,822</u>	<u>\$ 10,650,713</u>	<u>\$ 7,178,142</u>	<u>\$ 14,710,390</u>	<u>\$ 7,774,094</u>	<u>\$ 10,572,559</u>	<u>\$ 12,296,070</u>	<u>\$ 9,124,294</u>	<u>\$ 9,675,858</u>
All other governmental funds:										
Reserved	\$ 2,225	\$ 3,750	\$ 3,925	\$ 4,150	\$ 75,000	\$ 11,228	\$ 373,455	\$ 202,788	\$ 2,483,509	\$ 284,819
Unreserved - Reported in:										
Special Revenue Funds	34,909,816	25,921,566	25,016,678	34,836,070	43,998,826	35,557,580	42,987,889	37,716,719	48,616,327	53,679,586
Capital Project Funds	7,516,663	17,544,301	15,417,584	6,421,499	(3,546,235)	2,757,590	1,669,019	16,226,066	65,203,769	28,359,190
Total all other governmental funds	<u>\$ 42,428,704</u>	<u>\$ 43,469,617</u>	<u>\$ 40,438,187</u>	<u>\$ 41,261,719</u>	<u>\$ 40,527,591</u>	<u>\$ 38,326,398</u>	<u>\$ 45,030,363</u>	<u>\$ 54,145,573</u>	<u>\$ 116,303,605</u>	<u>\$ 82,323,595</u>

Oakland Schools
Changes in Fund Balances - Governmental Funds (Unaudited)
Last Ten Fiscal Years

	Year Ended									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenue										
Local	\$ 90,046,760	\$ 96,410,039	\$ 103,297,476	\$ 171,659,131	\$ 179,761,088	\$ 192,707,174	\$ 194,623,011	\$ 214,214,629	\$ 229,935,709	\$ 235,840,496
State	15,475,300	16,122,704	19,071,246	17,371,694	17,001,520	18,021,932	17,987,585	13,163,566	13,088,797	12,211,340
Federal	29,321,923	23,289,893	19,577,122	32,344,470	34,492,746	35,483,268	45,989,982	49,092,965	45,977,311	50,524,818
Other revenues	-	-	-	-	-	-	-	-	-	1,439,834
Total revenue	134,843,983	135,822,636	141,945,844	221,375,295	231,255,354	246,212,374	258,600,578	276,471,160	289,001,817	300,016,488
Expenditures										
Current:										
Instruction	16,983,128	19,018,478	34,881,291	30,980,425	29,200,962	36,367,343	14,344,411	13,800,128	17,704,888	17,534,597
Support services	107,857,506	110,095,960	99,838,467	175,346,988	176,715,176	217,263,579	234,383,921	246,037,871	247,613,018	57,721,095
Community services	-	-	-	-	-	-	-	-	-	5,759,533
Interdistrict transfers and other	-	-	-	-	-	-	-	-	-	205,345,538
Facilities acquisition	-	-	-	-	-	-	-	-	-	590,383
Debt service:										
Principal	-	-	-	-	-	-	905,000	905,000	930,000	1,455,000
Interest and other	-	-	-	-	-	108,670	358,213	320,453	296,979	2,885,329
Bond issuance costs and fees	-	-	-	-	-	-	-	-	223,852	-
Capital outlay	2,187,717	2,333,973	11,497,080	17,696,921	25,478,301	9,749,781	2,031,603	4,568,987	12,787,564	42,153,459
Total expenditures	127,028,351	131,448,411	146,216,838	224,024,334	231,394,439	263,489,373	252,023,148	265,632,439	279,556,301	333,444,934
Excess of Revenue Over (Under) Expenditures	7,815,632	4,374,225	(4,270,994)	(2,649,039)	(139,085)	(17,276,999)	6,577,430	10,838,721	9,445,516	(33,428,446)
Other Financing Sources (Uses)										
Debt issuance	-	-	-	-	-	8,139,510	2,925,000	-	47,000,000	-
Proceeds from sale of capital assets	-	-	411,243	-	6,937,205	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-	-	2,540,740	-
Transfers in	4,650,000	10,740,000	7,240,000	3,500,000	16,940,588	11,096,440	3,603,596	18,375,591	16,380,251	4,274,865
Transfers out	(5,370,000)	(11,460,000)	(7,240,000)	(3,500,000)	(16,940,588)	(11,096,440)	(3,603,596)	(18,375,591)	(16,380,251)	(4,274,865)
Total other financing sources (uses)	(720,000)	(720,000)	411,243	-	6,937,205	8,139,510	2,925,000	-	49,540,740	-
Net Change in Fund Balances	7,095,632	3,654,225	(3,859,751)	(2,649,039)	6,798,120	(9,137,489)	9,502,430	10,838,721	58,986,256	(33,428,446)
Fund Balances - Beginning of year	44,316,582	51,412,214	55,066,439	51,088,900	48,439,861	55,237,981	46,100,492	55,602,922	66,441,643	125,427,899
Residual Equity Transfer Out	-	-	(117,788)	-	-	-	-	-	-	-
Fund Balances - End of year	\$ 51,412,214	\$ 55,066,439	\$ 51,088,900	\$ 48,439,861	\$ 55,237,981	\$ 46,100,492	\$ 55,602,922	\$ 66,441,643	\$ 125,427,899	\$ 91,999,453

Source: Prior years' comprehensive annual financial reports

Oakland Schools
Taxable Value of Property (Unaudited)
Last Ten Fiscal Years

Levy Year	Fiscal Year	Tax Year	Real Property						Personal Property	Total Value
			Agricultural	Commercial	Industrial	Residential	Developmental	Total Real Property		
1998	99/00	1999	\$ 85,583,890	\$ 6,846,528,524	\$ 2,410,932,618	\$ 27,769,387,734	\$ 123,573,246	\$ 37,236,006,012	\$ 4,520,015,264	\$ 41,756,021,276
1999	00/01	2000	87,260,973	7,430,999,738	2,603,993,273	29,612,462,232	145,956,853	39,880,673,069	4,490,087,840	44,370,760,909
2000	01/02	2001	89,222,460	7,964,898,466	2,803,602,553	31,986,147,909	147,029,338	42,990,900,726	4,665,829,152	47,656,729,878
2001	02/03	2002	93,459,075	8,429,612,676	3,006,710,986	34,367,791,079	162,389,807	46,059,963,623	4,628,845,976	50,688,809,599
2002	03/04	2003	90,445,363	8,844,705,777	3,259,170,159	36,359,626,588	142,482,136	48,696,430,023	4,483,455,987	53,179,886,010
2003	04/05	2004	93,487,203	9,155,127,947	3,405,223,134	38,842,901,603	39,590,610	51,536,330,497	4,450,160,375	55,986,490,872
2004	05/06	2005	95,736,900	9,591,582,791	3,553,642,970	41,437,282,259	10,330,050	54,688,574,970	4,174,265,170	58,862,840,140
2005	06/07	2006	54,987,428	9,959,236,636	3,710,576,990	44,249,526,081	11,825,630	57,986,152,765	4,147,262,470	62,133,415,235
2006	07/08	2007	59,929,200	10,361,539,920	3,863,398,841	46,309,065,848	4,717,460	60,598,651,269	4,121,365,588	64,720,016,857
2007	08/09	2008	49,018,160	10,640,654,243	3,874,109,928	46,192,931,562	4,976,260	60,761,690,153	3,984,286,183	64,745,976,336

Notes:

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Under Michigan law, the revenue base is Taxable Value.

Source: Prior years' Comprehensive Annual Financial Report Statistical Sections
Oakland County Equalization Report

Oakland Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

<u>Tax Year</u>	<u>Fiscal Year Ended June 30</u>	<u>General Operating</u>	<u>Parks</u>	<u>Oakland Schools</u>	<u>Oakland Community College</u>	<u>Huron- Clinton Authority</u>	<u>Public Transportation Authority</u>
1997	1998	4.3505	0.2439	2.1294	1.6522	0.2236	0.3300
1998	1999	4.1900	0.2429	2.1208	1.6456	0.2235	0.3300
1999	2000	4.1900	0.2404	2.0998	1.6295	0.2218	0.3270
2000	2001	4.1900	0.2376	2.0752	1.6109	0.2202	0.3236
2001	2002	4.1900	0.2376	3.4526	1.5952	0.2186	0.3207
2002	2003	4.1900	0.2453	3.4224	1.6090	0.2170	0.6000
2003	2004	4.1900	0.2436	3.3991	1.5983	0.2161	0.5974
2004	2005	4.1900	0.2422	3.3789	1.5889	0.2154	0.5962
2005	2006	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900
2006	2007	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900

Fiscal year 2008 information is not yet available.

Source: Oakland County Apportionment of Local Tax Rates

Oakland Schools
Principal Property Taxpayers (Unaudited)
Year Ended June 30, 2008

Taxpayer	2007				1998			
	Taxable Value	Rank	Percentage of County Taxable Value		Taxable Value	Rank	Percentage of County Taxable Value	
General Motors Corporation	\$ 782,748,642	1	1.21 %		\$ 430,640,370	1	1.10 %	
DaimlerChrysler Corporation	513,883,120	2	0.79 %		152,554,175	3	0.39 %	
Detroit Edison Company	475,009,890	3	0.73 %		316,764,970	2	0.81 %	
Consumers Energy	185,904,660	4	0.29 %		144,329,050	4	0.37 %	
Stuart Frankel/Somerset	145,616,300	5	0.22 %		72,807,880	11	0.19 %	
Twelve Oaks/Taubman, et. al.	141,803,730	6	0.22 %		94,506,050	6	0.24 %	
Bre Southfield (formerly Towne Centre Delaware, Inc.)	111,199,580	7	0.17 %		86,563,900	8	0.22 %	
Ford Motor Company	94,724,520	8	0.15 %		110,143,860	5	0.28 %	
AT&T	89,746,670	9	0.14 %		-		- %	
Ramco – Gershenson	78,535,910	10	0.12 %		81,020,760	9	0.21 %	
Meijer	70,904,410	11	0.11 %		-		- %	
Walmart/Sam's Club	70,125,480	12	0.11 %		-		- %	
International Transmission	62,205,600	13	0.10 %		-		- %	
Comcast	56,642,160	14	0.09 %		-		- %	
Comerica Bank	56,424,720	15	0.09 %		42,994,130	17	0.11 %	
Liberty Property Investments	51,591,120	16	0.08 %		63,884,390.00	12	0.16 %	
Electronic Data Systems Corp.	49,576,170	17	0.08 %		60,946,690	13	0.16 %	
Palace Sports and Entertainment	45,355,960	18	0.07 %		-		0.00 %	
Novi Campus LLC	44,881,240	19	0.07 %		-		0.00 %	
Kroger	41,254,100	20	0.06 %		-		0.00 %	
Total	\$ 3,168,133,982		4.90 %		\$ 1,657,156,225		4.24 %	

Source: Oakland County Department of Management and Budget, Equalization Division

Note: The Taxable Values have been compiled from a number of sources/reports and may include estimated figures.

Oakland Schools
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

<u>Tax Year</u>	<u>Fiscal Year Ended June 30</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
1998	1999	\$ 81,096,640	\$ 81,096,640	100	-	\$ 81,096,640	100
1999	2000	83,982,880	83,982,880	100	-	83,982,880	100
2000	2001	88,222,976	88,222,976	100	-	88,222,976	100
2001	2002	163,855,089	163,855,089	100	-	163,855,089	100
2002	2003	169,987,001	169,987,001	100	-	169,987,001	100
2003	2004	176,695,009	176,695,009	100	-	176,695,009	100
2004	2005	183,899,926	183,899,926	100	-	183,899,926	100
2005	2006	193,696,884	193,696,884	100	-	193,696,884	100
2006	2007	210,956,067	210,956,067	100	-	210,956,067	100
2007	2008	216,941,255	216,941,255	100	-	216,941,255	100

Source: Oakland County Treasurer

Oakland Schools
 Ratios of Outstanding Debt (Unaudited)
 Last Ten Fiscal Years

Tax Year	General Obligation Bonds		Net General Bonded Debt as a		Total Debt as a	Percentage of			Total Debt per Capita
			Percentage of Taxable Value		Percentage of Taxable Value	Population	Personal Income (a)		
	Taxable Value	Taxable Value	Taxable Value						
1998	\$	-	\$ 34,923,798,964	0.00%	0.00%	1,182,206	-	%	\$ -
1999		-	37,236,006,012	0.00%	0.00%	1,188,498	-	%	-
2000		-	39,880,673,069	0.00%	0.00%	1,196,614	-	%	-
2001		-	42,990,900,726	0.00%	0.00%	1,202,176	-	%	-
2002		-	46,059,963,623	0.00%	0.00%	1,202,962	-	%	-
2003		8,000,000	48,696,430,023	0.02%	0.02%	1,208,013	0.01	%	7
2004		10,020,000	51,536,330,497	0.02%	0.02%	1,212,181	0.02	%	8
2005		9,115,000	54,688,574,970	0.02%	0.02%	1,216,363	0.01	%	7
2006		55,185,000	57,986,152,765	0.10%	0.10%	1,219,667	0.09	%	45
2007		53,730,000	60,598,651,269	0.09%	0.09%	1,214,255	*		44

* Fiscal year 2008 information is not yet available.

Note: (a) Personal income information can be found in the table on Demographic and Economic Statistics

Sources: Population - U.S. Department of Commerce, Bureau of Census
 Taxable Value - Oakland County Department of Management and Budget, Equalization Division

Oakland Schools
Direct and Overlapping Governmental Activities Debt (Unaudited)
Year Ended June 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Oakland County - Net of Self Supporting	\$ 660,494,834	0.0%	\$ -
Oakland County - Paid by Local Municipality	242,206,153	0.0%	-
Cities, Villages and Townships	924,405,766	0.0%	-
Community Colleges	9,465,997	0.0%	-
District Libraries	7,760,631	0.0%	-
Local School Districts	<u>2,747,715,213</u>	0.0%	<u>-</u>
Total overlapping debt	<u>\$ 4,592,048,594</u>		-
Direct District Debt:			
General Obligation Bonds			<u>53,730,000</u>
Total Direct and Overlapping Debt			<u>\$ 53,730,000</u>

Source: Oakland County Treasurer and Municipal Advisory Council of Michigan

Oakland Schools
Legal Debt Margin (Unaudited)
Last Ten Fiscal Years

	Year Ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Calculation of debt limit:										
State Equalized Value	\$ 47,872,532,700	\$ 52,437,365,830	\$ 57,469,711,595	\$ 62,829,530,442	\$ 67,085,441,782	\$ 70,296,996,641	\$ 73,459,188,359	\$ 76,439,725,583	\$ 77,331,082,036	\$ 74,491,081,562
1/9 of 1% of State Equalized Value	53,191,703	58,263,740	63,855,235	69,810,589	74,539,380	78,107,774	81,621,320	84,933,028	85,923,424	82,767,868
Calculation of debt subject to limit:										
Net debt subject to limit	-	-	-	-	-	8,000,000	10,020,000	9,115,000	55,185,000	53,730,000
Legal debt margin	53,191,703	58,263,740	63,855,235	69,810,589	74,539,380	70,107,774	71,601,320	75,818,028	30,738,424	29,037,868
Net debt subject to limit as percent of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	10.24%	12.28%	10.73%	64.23%	64.92%

Source: Oakland County Treasurer

Oakland Schools
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Population</u>	<u>Total Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
98/99	1,182,206	\$ 50,217,376	\$ 42,478	3.0
99/00	1,188,498	52,357,495	44,053	2.9
00/01	1,196,614	56,335,375	47,079	2.9
01/02	1,202,176	57,026,820	47,436	4.4
02/03	1,202,962	58,023,888	48,234	5.2
03/04	1,208,013	60,992,510	50,490	5.5
04/05	1,212,181	61,810,176	50,991	5.6
05/06	1,214,361	63,443,926	52,245	5.7
06/07	1,219,667	63,756,873	52,274	5.0
07/08	1,214,255	*	*	8.0

* Information not yet available

Source: Population = U.S. Department of Commerce, Bureau of Census
Personal Income = Michigan Bureau of Economic Analysis
Unemployment Rate = Michigan Department of Labor & Economic Growth

Oakland Schools
Principal Employers
For the Current Year and Nine Prior Years

Taxpayer		2008 Employees	Percentage of total employment	1998 Employees	Percentage of total employment
1	General Motors Corp.	15,555	2.6%	26,700	4.1%
2	William Beaumont Hospital	12,588	2.1%	14,000	2.2%
3	Chrysler Group	10,113	1.7%	20,600	3.2%
4	Oakland County	4,573	0.8%	3,500	0.5%
5	Electronic Data Systems Corp.	4,396	0.7%	9,480	1.5%
6	St. John Health Services	4,139	0.7%	n/a	n/a
7	Blue Cross/Blue Shield of Michigan	4,051	0.7%	n/a	n/a
8	U.S. Postal Service	3,970	0.7%	n/a	n/a
9	Trinity Health	3,707	0.6%	2,870	0.4%
10	Ziegler Health Care Corp	2,442	0.4%	n/a	n/a
	U.S. Government	n/a	n/a	4,569	0.7%
	AT&T	n/a	n/a	4,800	0.7%
	Ford Motor Company	n/a	n/a	3,480	0.5%
	Modern Engineering Service Co.	n/a	n/a	3,070	0.5%
Total Principal Employers		65,534	11.1%	93,069	14.3%
Estimated Total Employment		590,400		649,000	

Source: Oakland County Department of Planning & Economic Development

Oakland Schools
Full-time Equivalent School District Employees (Unaudited)
Last Ten Years Ended June 30

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Instruction	*	*	*	171.00	179.74	156.30	146.00	138.00	144.00	130.00
Support services	*	*	*	392.30	398.02	383.62	374.50	377.13	408.00	392.00
Community service	*	*	*	30.00	33.00	28.00	32.00	34.00	37.00	36.00
Total	-	-	-	593.30	610.76	567.92	552.50	549.13	589.00	558.00

* Information not available due to computer system conversion

Source: School District human resource records

Oakland Schools
Operating Indicators (Unaudited)
Last Ten Years Ended June 30

Year	Enrollment	Operating Expenditures/ Uses	Cost per Pupil	Operating Revenues/ Sources	Revenue per Pupil	Total Teaching Staff
1999	196,640	\$ 252,023,148	\$ 1,282	\$ 134,843,983	\$ 686	*
2000	197,396	263,489,373	1,335	135,822,636	688	*
2001	199,596	231,394,439	1,159	141,945,844	711	*
2002	203,721	224,024,334	1,100	221,375,295	1,087	171.00
2003	203,349	205,916,138	1,013	231,255,354	1,137	179.74
2004	203,324	253,630,922	1,247	246,212,374	1,211	156.30
2005	204,658	249,086,545	1,217	258,600,578	1,264	146.00
2006	204,355	260,158,452	1,273	276,471,160	1,353	138.00
2007	204,280	265,614,885	1,300	289,001,817	1,415	144.00
2008	201,281	289,836,475	1,440	300,016,488	1,491	130.00

* Information not available

Source: Prior year District Financial reports

Oakland Schools
Capital Asset Information (Unaudited)
Last Ten Fiscal Years Ended June 30

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Vocational education buildings owned and operated:										
Number of buildings	-	-	1	1	1	1	1	1	1	1
Square footage	-	-	77,000	77,000	77,000	77,000	77,000	77,000	77,000	95,653
Capacity	-	-	764	764	764	764	764	764	764	936
Special education buildings owned:	-									
Number of buildings	-	-	-	-	1	1	1	1	1	1
Square footage	-	-	-	-	19,317	19,317	19,317	19,317	19,317	19,317
Other buildings owned:										
Number of buildings	1	1	1	1	1	1	1	1	1	1
Square footage	101,000	101,000	101,000	101,000	133,238	133,238	133,238	133,238	133,238	133,238

Source: District internal records

Oakland Schools

**Federal Awards
Supplemental Information
June 30, 2008**

Oakland Schools

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Independent Auditor's Report

To the Board of Education
Oakland Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Schools as of and for the year ended June 30, 2008, which collectively comprise Oakland Schools' basic financial statements, and have issued our report thereon dated October 20, 2008. Those basic financial statements are the responsibility of the management of Oakland Schools. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oakland Schools' basic financial statements. The accompanying schedule of expenditures of federal awards, schedule of expenditures of federal awards provided to subrecipients, and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 20, 2008

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Education
Oakland Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Schools as of and for the year ended June 30, 2008, which collectively comprise Oakland Schools' basic financial statements, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakland Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oakland Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oakland Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Education
Oakland Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, the finance committee, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

October 20, 2008

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

To the Board of Education
Oakland Schools

Compliance

We have audited the compliance of Oakland Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of Oakland Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oakland Schools' management. Our responsibility is to express an opinion on Oakland Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakland Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oakland Schools' compliance with those requirements.

In our opinion, Oakland Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Oakland Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oakland Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

To the Board of Education
Oakland Schools

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, the finance committee, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

October 20, 2008

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Clusters:		
Medicaid Cluster - Michigan Department of Community Health - Passed through the Michigan Department of Community Health - Medicaid:	93.778	
Pupil transportation		\$ 212,902
Administrative outreach		836,501
Total Medicaid Cluster		1,049,403
Special Education Cluster - U.S. Department of Education: Passed through the Michigan Department of Education:		
IDEA:	84.027	
Project number 070490-TS		115,000
Project number 080490-TS		95,000
Project number 060450-0506		36,320,310
Project number 070450-0607		36,766,647
Project number 080450-0607		37,491,201
Project number 070480-0607		70,000
Project number 080480-0607		70,000
Project number 080440-0708		4,000
Total IDEA		110,932,158
Preschool Incentive:	84.173	
Project number 060460-0506		1,369,616
Project number 070460-0607		1,347,802
Project number 080460-0708		1,350,871
Total Preschool Incentive		4,068,289
Passed through the Macomb ISD - MI Integrated Behavior and Learning:	84.027A	
Project number 2006/07		3,000
Project number 2007		3,000
Total MI Integrated Behavior and Learning		6,000

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ -	\$ -	\$ -	\$ 212,902	\$ 212,902	\$ -
-	-	-	836,501	836,501	-
-	-	-	1,049,403	1,049,403	-
115,000	23,242	-	23,242	-	-
-	-	-	50,810	95,000	44,190
36,317,560	555,057	-	555,057	-	-
30,596,720	7,402,531	-	11,987,738	6,169,927	1,584,720
-	-	-	20,987,599	31,543,460	10,555,861
70,000	35,575	-	35,575	-	-
-	-	-	52,945	70,000	17,055
-	-	-	-	4,000	4,000
67,099,280	8,016,405	-	33,692,966	37,882,387	12,205,826
1,368,549	21,279	-	21,279	-	-
1,208,158	236,310	-	350,829	136,713	22,194
-	-	-	866,944	1,226,199	359,255
2,576,707	257,589	-	1,239,052	1,362,912	381,449
2,519	(481)	-	-	481	-
35	(2,965)	-	-	2,965	-
2,554	(3,446)	-	-	3,446	-

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Clusters (Continued):		
Passed through Grand Valley State University - Oakland County Autism Network:	84.027A	
Project number 2005/06		\$ 22,575
Project number 2006/07		10,522
Total Oakland County Autism Network		33,097
Total Special Education Cluster		115,039,544
WIA Cluster - U.S. Department of Education - Michigan Department of Career Development:		
Title I Adult Worker 06/07	17.258	1,240,519
Title I Adult Worker 07/08		1,171,874
Title I Dislocated Worker 06/07	17.260	1,075,783
Title I Dislocated Worker 07/08		973,979
Title I Youth 06/07	17.259	1,368,430
Title I Youth 07/08		1,286,726
Total WIA Cluster		7,117,311
Employment Service Cluster - U.S. Department of Labor - Passed through the Michigan Department of Career Development:		
Wagner-Peyser employment 06/07	17.207	422,627
Wagner-Peyser employment 07/08		410,117
Total Employment Service Cluster		832,744
Other federal awards:		
U.S. Department of Education:		
Passed through the Michigan Department of Education:		
Title I:	84.010	
Project number 061570-0607		420,000
Project number 071570-0708		700,000
Total Title I		1,120,000
Title II, Part A - Project number 070520-0607	84.367	271

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 13,100 6,631	\$ (9,475) (3,891)	\$ - -	\$ - -	\$ 9,251 -	\$ (224) (3,891)
19,731	(13,366)	-	-	9,251	(4,115)
69,698,272	8,257,182	-	34,932,018	39,257,996	12,583,160
1,214,182	633,212	-	633,212	-	-
-	-	-	713,636	1,167,635	453,999
1,020,739	424,425	-	424,425	-	-
-	-	-	457,796	959,946	502,150
1,201,993	526,050	-	526,050	-	-
-	-	-	915,298	1,352,982	437,684
3,436,914	1,583,687	-	3,670,417	3,480,563	1,393,833
422,627	127,251	-	127,251	-	-
-	-	-	158,294	409,106	250,812
422,627	127,251	-	285,545	409,106	250,812
-	-	-	246,578	246,578	-
-	-	-	192,257	393,596	201,339
-	-	-	438,835	640,174	201,339
271	271	-	271	-	-

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Michigan Department of Education (Continued):		
Title II, Part B:	84.366	
Project number 062410/MSPF2005		\$ 681,248
Project number 072410/MSPF2005		17,500
Project number 072410/MSPF2006		<u>798,079</u>
Total Title II, Part B		1,496,827
Title II, Part D:	84.318	
Project number 064240-I		284,928
Project number 084240-PRO 5		<u>149,910</u>
Total Title II, Part D		434,838
Title V:	84.298	
Project number 050250-0506		11,815
Project number 060250-0607		5,887
Project number 070250-0607		21,388
Project number 080250-0708		<u>28,661</u>
Total Title V		67,751
Reading First:	84.357	
Project number 072910 - 0607		250,000
Project number 082910 - 0708		<u>227,500</u>
Total Reading First		477,500
Infant and Toddler:	84.181	
Project number 061340-I90		542,132
Project number 071340-I90		526,557
Project number 081340-I90		<u>528,839</u>
Total Infant and Toddler		1,597,528

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 400,582	\$ 89,723	\$ -	\$ 218,491	\$ 128,768	\$ -
-	-	-	17,433	17,433	-
<u>377,599</u>	<u>94,848</u>	<u>-</u>	<u>341,491</u>	<u>405,579</u>	<u>158,936</u>
778,181	184,571	-	577,415	551,780	158,936
284,928	90,328	-	90,328	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,347</u>	<u>9,805</u>	<u>8,458</u>
284,928	90,328	-	91,675	9,805	8,458
5,653	(4,746)	4,746	-	4,746	-
5,530	2,080	-	2,080	-	-
1,716	1,161	-	16,658	15,497	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,732</u>	<u>22,732</u>
12,899	(1,505)	4,746	18,738	42,975	22,732
250,000	150,452	-	150,452	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>54,957</u>	<u>108,272</u>	<u>53,315</u>
250,000	150,452	-	205,409	108,272	53,315
542,132	57,831	-	57,831	-	-
425,189	34,751	-	109,553	101,368	26,566
<u>-</u>	<u>-</u>	<u>-</u>	<u>329,784</u>	<u>493,751</u>	<u>163,967</u>
967,321	92,582	-	497,168	595,119	190,533

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Michigan Department of Education (Continued):		
McKinney Homeless Students:	84.196A	
Project 062320-0506		\$ 131,604
Project 062320-0607-C		28,670
Project 072320-0607		104,681
Project 072320-0607-C		6,489
Project 082320-0708		108,668
Total McKinney Homeless Students		380,112
Vocational Education - Basic Grants to States:	84.048	
Project number 073520-7012-18		1,504,882
Project number 083520-8012-18		1,663,596
Total Vocational Education		3,168,478
Total noncluster programs passed through the Michigan Department of Education		8,743,305
Passed through the Center for Civic Education:		
Mich. Law - Center for Civic Ed 05/06	84.304	140,000
Mich. Law - Center for Civic Ed 06/07		140,000
Mich. Law - Center for Civic Ed 07/08		126,000
Mich. Law - Center for Civic Ed 08/09		126,000
Total CFDA 84.304		532,000
Mich. Law - Center for Civic Ed 05/06	84.929A	35,890
Mich. Law - Center for Civic Ed 06/07		33,178
Mich. Law - Center for Civic Ed 07/08		7,000
Mich. Law - Center for Civic Ed 05/06		36,000
Mich. Law - Center for Civic Ed 07/08		37,000
Mich. Law - Center for Civic Ed 08/09		36,750
Mich. Law - Center for Civic Ed 06/07		77,390
Mich. Law - Center for Civic Ed 07/08		77,390
Mich. Law - Center for Civic Ed 08/09		70,895
Total CFDA 84.929A		411,493

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only)	Accrued (Deferred)	Adjustments	Federal Funds/ Payments		Accrued (Deferred)
Prior Year(s)	Revenue at	and	In-kind		Revenue at
Expenditures	July 1, 2007	Transfers	Received	Expenditures	June 30, 2008
\$ 103,025	\$ 91	\$ (91)	\$ -	\$ -	\$ -
28,670	5,249	-	5,249	-	-
49,134	610	-	49,668	49,058	-
-	-	-	-	6,489	6,489
-	-	-	27,912	92,035	64,123
180,829	5,950	(91)	82,829	147,582	70,612
1,504,882	503,168	-	503,168	-	-
-	-	-	975,392	1,663,596	688,204
1,504,882	503,168	-	1,478,560	1,663,596	688,204
3,979,311	1,025,817	4,655	3,390,900	3,759,303	1,394,129
140,000	16,773	-	16,773	-	-
133,334	13,902	-	20,568	6,666	-
-	-	-	126,000	111,163	(14,837)
-	-	-	-	10,000	10,000
273,334	30,675	-	163,341	127,829	(4,837)
32,729	114	(114)	-	-	-
21,693	(11,485)	-	-	11,485	-
-	-	-	7,000	7,000	-
36,000	2,000	-	-	-	2,000
-	-	-	37,000	37,000	-
-	-	-	-	3,000	3,000
75,398	(1,992)	-	-	1,992	-
-	-	-	77,390	77,390	-
-	-	-	-	5,009	5,009
165,820	(11,363)	(114)	121,390	142,876	10,009

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Center for Civic Education:		
Mich. Law - Center for Civic Ed 06/07	16.541	\$ 5,000
Mich. Law - Center for Civic Ed 06/07		<u>7,537</u>
Total passed through the Center for Civic Education		956,030
U.S. Department of Education - Passed through the Michigan		
Department of Career Development:		
Reed One Stop 06/07	84.002A	90,885
Reed One Stop 07/08		65,835
WIA Incumbent Incentive 06/07		252,000
WIA Incumbent Incentive 07/08		330,730
WIA Incumbent Statewide 06/07		<u>3,000</u>
Total passed through Michigan Department of Career Development		742,450
U.S. Department of Education - Passed through Saginaw Valley		
State University - Title II, Part B Math		
Science Partnership	84.366B	<u>124,800</u>
Total U.S. Department of Education passed through sources other than the Michigan Department of Education		<u>1,823,280</u>
Total U.S. Department of Education		10,566,585
U.S. Department of Labor - Passed through sources other than the		
Michigan Department of Career Development - Digital		
Manufacturing Network	17.261	446,400

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 4,998 7,354	\$ (2) (183)	\$ 2 -	\$ - -	\$ - 183	\$ - -
451,506	19,127	(112)	284,731	270,888	5,172
90,885	45,036	-	45,036	-	-
-	-	-	37,989	66,073	28,084
223,466	222,327	(1,200)	221,127	-	-
-	-	-	7,064	297,125	290,061
3,000	3,000	-	3,000	-	-
317,351	270,363	(1,200)	314,216	363,198	318,145
-	-	-	-	3,227	3,227
768,857	289,490	(1,312)	598,947	637,313	326,544
4,748,168	1,315,307	3,343	3,989,847	4,396,616	1,720,673
225,617	206,852	-	220,039	82,392	69,205

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Health and Human Services - Passed through the Michigan Department of Career Development:		
Work First TANF 06/07	93.558	\$ 426,800
Work First TANF 07/08		442,160
Work First TANF/JET 07/08		445,160
Work First Employment Services 07/08		<u>20,000</u>
Total U.S. Department of Health and Human Services passed through the Michigan Department of Career Development		1,334,120
U.S. Department of Health and Human Services - Passed through the MSU Extension - Michigan Nutrition Network 07/08	10.551	<u>135,005</u>
Total U.S. Department of Health and Human Services		1,469,125
National Science Foundation - Passed through TERC Earth Science by Design - Earth Science by Design 05/06	47.076	10,000
U.S. Department of Justice - Passed through Oakland County Sherriff's Department - Oakland County Sherriff Boot Camp	16.580	<u>261,949</u>
Total federal awards		<u>\$ 136,793,061</u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 301,533	\$ 129,427	\$ -	\$ 129,427	\$ -	\$ -
-	-	-	140,627	140,627	-
-	-	-	148,500	374,033	225,533
-	-	-	19,790	19,790	-
301,533	129,427	-	438,344	534,450	225,533
-	-	-	2,171	65,360	63,189
301,533	129,427	-	440,515	599,810	288,722
6,547	(240)	-	-	240	-
122,697	121,157	-	131,080	97,340	87,417
\$ 78,962,375	\$ 11,740,623	\$ 3,343	\$ 44,718,864	\$ 49,373,466	\$ 16,393,822

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year	
		Cash Transferred to Subrecipient	
Special Education - IDEA:			
Project number 070450-0607 - Passed through to:	84.027		
Avondale		\$	37,729
Berkley			20,522
Birmingham			158,831
Bloomfield			499,803
Brandon			114,312
Clarenceville			10,046
Clarkston			88,570
Clawson			32,659
Farmington			1,006,834
Ferndale			15,534
Hazel Park			278,795
Holly			89,627
Huron Valley			148,100
Lake Orion			43,345
Lamphere			142,478
Pontiac			896,528
Rochester			161,123
Royal Oak			28,712
South Lyon			21,290
Southfield			299,908
Troy			510,768
Walled Lake			141,677
Waterford			128,197
Academy of Lathrup Village			24,409
Academy of Oak Park			69,057
Academy of Southfield			18,265
Academy of Waterford			15,870
Arts & Technology Academy of Pontiac			53,232

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Special Education - IDEA (Continued):		
Project number 070450-0607 - Passed through to (Continued):	84.027	
Great Lakes Academy		\$ 999
Laurus Academy		50,355
Nsorma (Oakland University)		6,648
Walton Academy		67,620
Oakland Schools		<u>957,117</u>
Total project number 070450-0607		6,138,960
Project number 080450-0708 - Passed through to:	84.027	
Avondale		552,100
Berkley		673,313
Birmingham		988,147
Bloomfield		1,152,687
Brandon		633,151
Clarenceville		359,600
Clarkston		1,574,988
Clawson		290,082
Farmington		1,335,932
Ferndale		499,794
Hazel Park		1,015,901
Holly		1,062,625
Huron Valley		1,995,996
Lake Orion		1,155,153
Lamphere		543,925
Madison		334,264
Novi		856,447
Oak Park		487,674
Oxford		596,827
Pontiac		1,363,975

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Special Education - IDEA (Continued):		
Project number 080450-0708 - Passed through to (Continued):	84.027	
Southfield		\$ 1,369,242
Troy		1,291,320
Walled Lake		2,241,298
Waterford		2,351,149
West Bloomfield		1,102,638
Academy of Lathrup Village		17,905
Academy of Oak Park		50,694
Academy of Waterford		16,331
Arts & Technology Academy of Pontiac		65,651
Bradford Academy		120,857
Crescent Academy		22,036
Edison Oakland Academy		74,603
Great Lakes Academy		59,951
Holly Academy		116,381
Laurus Academy		56,699
Life Skills Center of Pontiac		41,778
Nsorma (Oakland University)		15,417
Pontiac Academy for Excellence		165,620
Walton Academy		65,651
Oakland Schools		309,385
Total project number 080450-0708		27,027,187
Total IDEA passed through to subrecipients		33,166,147

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year
		Cash Transferred to Subrecipient
Special Education - Preschool Incentive:		
Project number 070460-0607 - Passed through to:	84.173	
Avondale		\$ 257
Birmingham		5,921
Bloomfield		18,686
Brandon		2,495
Clarkston		10,175
Clawson		3,155
Farmington		29,242
Ferndale		6,138
Hazel Park		5,578
Huron Valley		5,238
Lamphere		10,496
Rochester		8,026
South Lyon		288
Walled Lake		11,617
Waterford		16,160
Laurus Academy		2,161
Walton Academy		1,080
Total project number 070460-0607		136,713
Project number 080460-0708 - Passed through to:	84.173	
Avondale		14,741
Berkley		23,097
Birmingham		50,651
Bloomfield		46,312
Brandon		22,955

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Special Education - Preschool Incentive:		
Project number 080460-0708 - Passed through to (Continued):	84.173	
Farmington		\$ 79,500
Ferndale		19,717
Hazel Park		48,447
Holly		42,250
Huron Valley		85,453
Lake Orion		47,320
Lamphere		10,030
Madison		43,940
Novi		31,547
Oak Park		16,617
Oxford		21,970
Pontiac		49,763
Rochester		93,199
Royal Oak		68,727
South Lyon		32,746
Southfield		24,754
Troy		69,853
Walled Lake		70,075
Waterford		75,200
West Bloomfield		47,320
Bradford Academy		2,253
Crescent Academy		563
Holly Academy		1,690
Laurus Academy		1,127
Pontiac Academy of Excellence		3,943
Walton Academy		563
Total project number 080460-0708		1,146,323
Total Preschool Incentive passed through to subrecipients		1,283,036

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Infant and Toddler:		
Project number 071340-190 - Passed through to:	84.181	
Oakland Family Services		\$ 91,700
Oakland Schools		9,668
Total project number 071340-190		101,368
Project number 081340-190 - Passed through to:	84.181	
Oakland Family Services		133,300
Oakland Schools		360,451
Total project number 081340-190		493,751
Total Infant and Toddler passed through to subrecipients		595,119
Vocational Education - Project number 083520-8012-18 -		
Passed through to:	84.048	
Avondale		22,514
Berkley		11,470
Birmingham		60,431
Bloomfield		12,783
Brandon		45,481
Clarkston		42,284
Clawson		19,020
Farmington		135,115
Ferndale		37,614
Hazel Park		41,150
Holly		40,603
Huron Valley		89,224
Lake Orion		92,153
Lamphere		18,704
Madison		15,365

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year	
		Cash Transferred to Subrecipient	
Vocational Education - Project number 083520-8012-18 - Passed through to (Continued):	84.048		
Novi		\$	35,926
Oak Park			26,659
Oxford			75,651
Pontiac			45,080
Rochester			89,526
Royal Oak			101,806
Southfield			95,337
Troy			117,174
Walled Lake			113,579
Waterford			143,687
West Bloomfield			91,997
Oakland Schools			43,263
Total Vocational Education - Project number 083520-8012-18			1,663,596
Total federal awards passed through to subrecipients		\$	<u>36,707,898</u>

Oakland Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 50,524,818
Add federal revenue reported as state revenue	1,049,403
Less revenue not deferred on the schedule of federal awards	(2,190,108)
Other	<u>(10,647)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 49,373,466</u>

Oakland Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oakland Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Grant Auditor Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 3 - Adjustments and Transfers

During the year ended June 30, 2008, there were adjustments of \$4,746 to Title V, project number 050250-0506, CFDA #84.298; (\$91) to McKinney Homeless Students, project number 062320-0506, CFDA #84.196A; (\$114) to Michigan Law - Center for Civic Ed 05/06, CFDA #84.929A; and \$2 to Michigan Law, Center for Civic Ed 06/07, CFDA #16.541, all related to the reporting of certain expenditures which had not been reported in the prior year. There was also an adjustment of \$1,200 to WIA Incumbent Incentive 06/07, CFDA #84.002A related to the correction of prior year deferred revenue amounts.

Oakland Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173, and 84.027A	Special Education Cluster
84.027A	Vocational Education

Dollar threshold used to distinguish between type A and type B programs: \$1,481,204 for Type A and \$148,120 for Type B

Auditee qualified as low-risk auditee? X Yes _____ No

Oakland Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Oakland Schools

**Report to the Board of Education
June 30, 2008**



To the Board of Education
Oakland Schools
2111 Pontiac Lake Road
Waterford, MI 48328

We have recently completed our audit of the basic financial statements of Oakland Schools (the "District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the District:

	<u>Page</u>
Results of the Audit	3-6
Informational Items	7-9

We are grateful for the opportunity to be of service to Oakland Schools. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 20, 2008

Results of the Audit

To the Board of Education
Oakland Schools
2111 Pontiac Lake Road
Waterford, MI 48328

We have audited the financial statements of Oakland Schools for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the School District. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under those *Government Auditing Standards*, we have made some assessments of School District's compliance with certain provisions of laws, regulations, contracts and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 20, 2008 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. This letter is included in the federal awards program report.

To the Board of Education
Oakland Schools

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the School District, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* requires disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the reserve computations for the risk-related activity fund. These reserves, however, we computed in accordance with the Board adopted protocol. We evaluated the key factors and assumptions used to develop the reserve balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Education
Oakland Schools

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no such adjustments that are required to be reported.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the School District we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

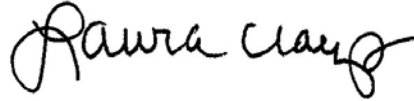
As required by OMB Circular A-133 we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 dated October 20, 2008.

To the Board of Education
Oakland Schools

This information is intended solely for the use of the Board of Education and management of Oakland Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink, appearing to read "Laura Claeys".

Laura K. Claeys

A handwritten signature in black ink, appearing to read "Nathan A. Lewis".

Nathan A. Lewis

October 20, 2008

Informational

We offer the following topics for your consideration and interest as the policy-making body of the District.

Certificate of Excellence in Financial Reporting

Oakland Schools has received the Certificate of Excellence in Financial Reporting Award presented by the Association of School Business Officials (ASBO) for the June 30, 2007 comprehensive annual financial report. This represents the 11th time Oakland Schools has submitted for and received this award. This certificate certifies that the District has presented its comprehensive annual financial report to the ASBO Panel of Review for critical evaluation and that the report was judged to have complied with the principles and practices of financial reporting recognized by the organization. We commend the District on your commitment to excellence in reporting and your effort to meet the high standards required by ASBO. You should be very proud of the efforts of the financial and administrative staff involved in compiling the financial report. It is our understanding that the District plans to submit the 2007-2008 report for consideration for the Certificate of Excellence Award.

Risk Related Activity Fund

As you are aware, the District accounts for all of its insurance related costs in the Risk Related Activity Fund (RRAF). During the year ended June 30, 2008, an additional reserve was established in this fund in the amount of \$1.2 million to anticipate additional costs which may be incurred when the District is required to bid its health insurance and may be participating in insurance pools. We recommend the District continue to evaluate this reserve as bids are received and pooled costs are known. To the extent the reserve is not fully needed, insurance costs charged to each governmental fund can be adjusted as necessary. This evaluation is part of the business office's normal analysis which occurs annually.

Retirement Rate

Legislation restructured the elements computing the MPSERS retirement rate creating a lower cost to the retirement system. The District paid in 17.74 percent through September 30, 2007 and a reduced rate of 16.72 percent beginning in October 2007. The District adjusted its budget accordingly to account for this reduced expenditure. The 2008-2009 retirement rate has been determined and again is going to be reduced. The rate for beginning October 1, 2008 will be 16.54 percent and will continue through September 30, 2009. While the reductions in the retirement rate are a much needed relief from increasing expenditures, extreme caution should be used when making budget predictions for the 2009-2010 fiscal year. All indications are the retirement rate will need to increase in future periods to fund the benefits offered under the retirement plan.

Public Act 106 of 2007

In October 2007, the State of Michigan enacted the Public Employees Health Benefit Act. This Act was intended to promote greater opportunities for public school districts to control the escalating costs of health benefits provided to District staff.

The act provides for changes in three areas:

- Mandates solicitation of competitive bids for health insurance at least once every three years, or when a plan is enacted or substantially modified
- Mandates the release of individual district claims data by existing providers
- Allows for Districts to form and participate in health insurance pools

The Act is not intended to replace a District's collective bargaining activities, but has created many more alternatives to the programs currently used in most Districts. We encourage you to explore the options now available to determine which approach is most beneficial. We would be happy to assist you in evaluating your best options to provide optimal health coverage for your staff at competitive prices.

403(b) Annuity Plans

The IRS has finalized regulations that will require schools to take more responsibility in the operation and compliance of their 403(b) arrangements, including operating the plans under a written document. The regulations have a delayed effective date of January 1, 2009. Districts will need to carefully balance their degree of involvement vs. delegation as they implement a compliance strategy.

It will be important to establish a District plan document and implement vendor agreements that establish the responsibilities of the District and the vendor to eliminate confusion and provide a compliance road map. Your Business office has been very involved in these regulations and is working on agreements which will make the District compliant by the January 1, 2009 deadline.